GN

General Mills

ANNUAL REPORT

JUNE 1, 1970 / MAY 30, 1971

CHEERIOS • BETTY CROCKER • GOLD MEDAL • GORTON'S • TOM'S • DAVID CRYSTAL •
MISE LACOSTE • CHIPOS • WHEATIES • RED LOBSTER • MONOPOLY • PARKER BROTH
GLES • TOTAL • MONET • LEEWARDS • VERSAMID • MPC • SLIM JIM • KNOTHE • COUN
PLAY-DOH • LUCKY CHARMS • HAYMAKER • OUIJA • BAC*OS • POP-R-CORNS • NORM
KABOOM • LIX • IZOD • BUC*WHEATS • CRAFT MASTER • WHISTLES • BONTRAE • PLA
SSE JONES • BN • COCOA PUFFS • PIZZA SPINS • PUZZLE-UPS • CRYSTAL SUNFLOW
EASY-BAKE • TRIX • WATERPOXY • LANCIA • BISQUICK • HOTCHAS • FROSTYO'S • P
ENNER • SPINS • NERF • SPIROGRAPH • BROHM • INSTANT INSANITY • PLAYNTS • TW
-I-TATERS • HAMBURGER • FRANKEN*BERRY • CHOCULA • FUN

General Mills

GENERAL MILLS' FAMILY OF BRANDS . . . FOR GOODNESS WITH A CAPITAL G

General Mills' success has been built with products that have earned the loyalty of consumers around the world. On the covers are waves of brand names representing the many with which the company has served and succeeded in years past and with which it will grow in the years ahead.

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NOTICE TO STOCKHOLDERS: The annual meeting of the stockholders of General Mills, Inc., will be held at 2:00 p.m., Central Daylight Time, on September 21, 1971, at Golden Valley (Minneapolis 55440), Minn. The *Notice of Annual Meeting of Stockholders and Proxy Statement* is being mailed to reach stockholders on or about August 30, 1971.

CHAIRMAN'S AND PRESIDENT'S REPORT

TO STOCKHOLDERS AND EMPLOYEES:

August 20, 1971

We are happy to report that General Mills again set records in fiscal 1971, in spite of a generally soft domestic economy which affected many of the markets in which our products compete. The company attained new all-time records in sales, earnings and earnings per share and also made substantial progress in the establishment and development of new profit bases for the future. Sales at $1,120,052,000 were up 8.4 per cent over fiscal 1970 restated despite the fact that fiscal 1971 included 52 weeks compared with 53 weeks in the previous year. Earnings before extraordinary items, at $43,856,000, were up 5.4 per cent; earnings per common share and common share equivalent rose 5.3 per cent to $1.98.

Over the past several years, we have sought to develop bases outside our traditional food areas in order to accelerate our growth rate. Through internal development and acquisitions, the company has entered new consumer markets which we believe will enable us to capitalize on long-term environmental trends. We are seeking to build on the growth expected in discretionary income and leisure living by participating in selected *Consumer Non-Food* activities: crafts, games and toys, fashion and direct marketing. These activities represented 21.2 per cent of corporate sales in fiscal 1971 as compared with 8.3 per cent in 1967. We are also adding a new dimension to our food business by moving to take advantage of the trend toward more eating away from home.

Although there will be disappointments from time to time, as was true this year in our craft, game and toy businesses where profits declined severely, we feel that our efforts to broaden General Mills' activities will be rewarding over the long run. With sound bases already laid, our primary emphasis will be on broadening our participation in these areas and realizing their profit potential.

The important *Foods At Home* product groups increased their operating earnings by over nine per cent. As discussed in the *Business Review* of fiscal 1971, this was accomplished largely through gains in established lines, momentum provided by new products and the reversal of unfavorable trends of a year earlier by The Smiths Food Group in England.

In the *Foods Away From Home* market, we expanded our Red Lobster Inns specialty seafood chain from five to 22 company-owned units during the year in line with favorable profit performance of the initial units, establishing the base for an important new source of earnings.

Fashion and *Direct Marketing,* reported separately for the first time, have nearly tripled earnings in the past two years, the majority through internal growth. They now contribute 13.4 per cent of corporate operating profits. Among newer developments were acquisitions of The Silna Corporation, primarily a manufacturer of double-knit fabrics, and Eddie Bauer, Inc., primarily a mail-order marketer of outdoor clothing and recreation equipment.

Other noteworthy highlights include completion of major financing programs that will assure the availability of capital needed to implement the company's growth programs. Gross capital expenditures for internal projects totaled $60,400,000. Capital expenditures for fiscal 1972 are expected to top $45,000,000. These expenditures and anticipated increases in working capital will be financed through funds generated from operations.

In keeping with the growing interest of the American public in the quality of the food it consumes and other products it purchases, General Mills took further steps during the past year to maintain a leadership role in these areas. We introduced several new nutritional products, fortified others to higher levels and increased our expenditures for quality control activities to $4,200,000 in the United States and Canada alone.

As we embark on a new year, we recognize that the economy is only slowly regaining momentum, and more vigorous growth may not develop until the latter half of the fiscal year. Nonetheless, we believe overall market expansion will provide ample opportunities for acceleration of our growth rate in both sales and earnings.

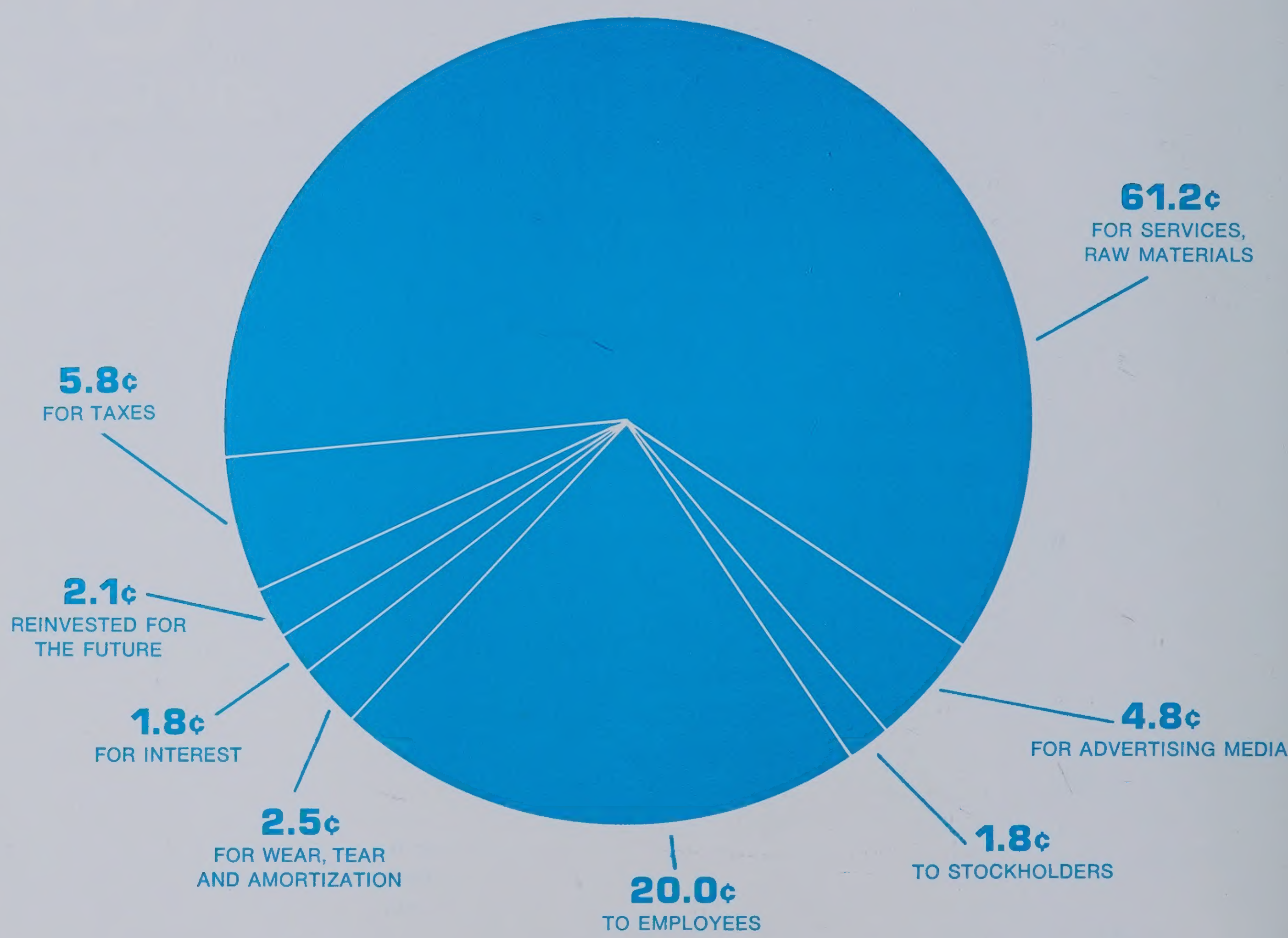
We gratefully acknowledge the contributions of our customers and our 32,556 employees, nearly double the number employed only five years ago. For our shareholders, we want you to know that management remains committed to growth in earnings per share at a compound rate in excess of 10 per cent annually; this year we are making an intensified effort to see that this objective is reached.

Chairman of the Board

President

EXECUTIVE OFFICES • 9200 WAYZATA BOULEVARD • MINNEAPOLIS, MINNESOTA 55440

HOW THE SALES DOLLAR WAS DIVIDED



THE YEAR IN BRIEF

	52 Weeks Ended May 30, 1971	53 Weeks Ended May 31, 1970*
Sales	$1,120,052,000	$1,033,646,000
Earnings before extraordinary items	43,856,000	41,623,000
Extraordinary items	—	(13,544,000)
Net earnings	43,856,000	28,079,000
Earnings before extraordinary items per dollar of sales	3.9¢	4.0¢
Earnings per common share and common share equivalent:		
Earnings before extraordinary items	$1.98	$1.88
Net earnings	1.98	1.27
Wages, salaries, employee benefits	224,027,000	201,161,000
Taxes—Federal, State and Local	64,808,000	64,061,000**
—per cent of earnings before taxes	59.3%	60.6%
Dividends—common stock	$ 17,255,000	$ 16,368,000
—preference stock	2,532,000	2,657,000
Earnings in excess of dividends	24,069,000	9,054,000

*Restated to include results of pooled companies, Eddie Bauer, Inc., and The Silna Corporation.

**Excluding income tax credits of $5,516,000 related to extraordinary items.

BUSINESS REVIEW

General Mills demonstrated its overall strength during a general slowdown in the domestic economy by passing a number of milestones in fiscal 1971. These included:

- New company highs in earnings and earnings per share before extraordinary items for the ninth consecutive year . . .
- Sales well over the billion-dollar mark for the second successive year, reaching an all-time high . . .
- New record highs in dividends paid per common share for the seventh successive year.

Net earnings for the 52 weeks ended May 30, 1971, totaled $43,856,000, a gain of 5.4 per cent over the $41,623,000 earned before extraordinary items in the previous year. Earnings before income taxes and before adjustments for 50 per cent and minority-owned companies were $88,666,000, or two per cent above those for the longer 53-week prior fiscal year.

Earnings per common share and common share equivalent reached $1.98, representing a gain of 5.3 per cent over the $1.88 before extraordinary items earned in fiscal 1970. Extraordinary items totaling $13,544,000, or 61 cents per share restated, lowered fiscal 1970's earnings per share to $1.27.

Sales gained 8.4 per cent, reaching $1,120,052,000. In the previous year, sales totaled $1,033,646,000.

Sales of international operations gained in importance, increasing nearly 24 per cent to $166,000,000. This represents about 15 per cent of the corporate total compared with about 13 per cent a year ago.

Data for fiscal years 1967 through 1970 have been restated for two acquisitions accounted for on a pooling of interests basis: Eddie Bauer, Inc., an outdoor clothing and recreational equipment firm, and The Silna Corporation, principally a manufacturer of doubleknit fabrics. Several small acquisitions are included on a purchase accounting basis from the date they were purchased (for added details see Note 1).

During the past year, General Mills continued to broaden its participation in consumer markets likely to demonstrate above average growth over the next decade, particularly with products and services on which brand positions can be developed. Gains by consumer nonfoods and an emerging thrust into the restaurant business helped place 83 per cent of company sales in consumer markets as compared with 80 per cent two years ago.

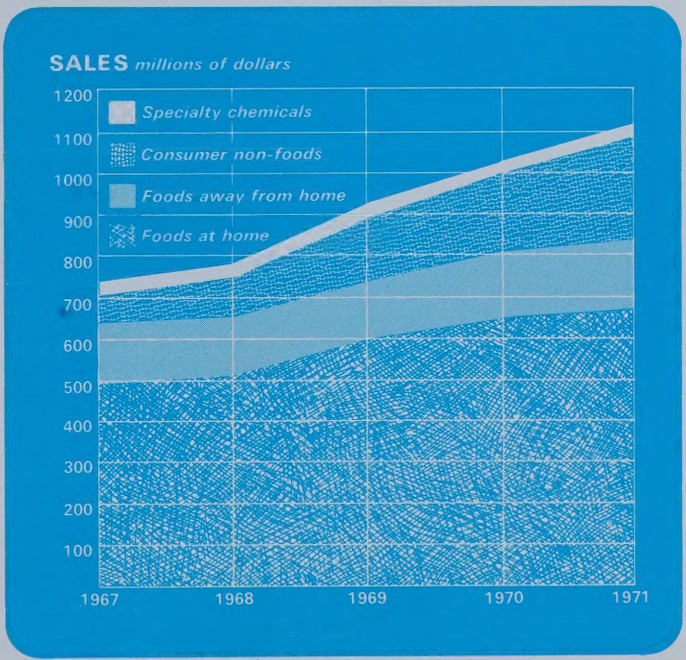
In spite of rigid expense control, profits per sales dollar after taxes declined from 4.0 to 3.9 cents. This was primarily due to continuing inflation, disappointing results in some activities, planned internal development expenses and higher interest charges. Increased selling prices accounted for about three per cent of the company's growth in sales.

General Mills paid 90 cents per share dividends to holders of its common stock. The quarterly rate was increased two cents, to 24 cents, for the payment made on May 1, 1971. The new rate was continued for the payment of August 1, first quarterly dividend of the new fiscal year.

Since publication of the 1970 annual report, changes in corporate management have been made to enhance the company's ability to achieve its objectives in the years ahead. These include the election of Executive Vice President E. Robert Kinney as Chief Financial Officer. While exercising overall coordinating responsibility for activities of the Vice President-Finance and Treasurer, Vice President and Controller, Vice President and Director of Taxes and Vice President and Director of Corporate Growth, Mr. Kinney will work closely with the Chairman and President in guiding all aspects of General Mills' operations.

H. Brewster Atwater, Jr., Vice President, Consumer Foods Group, was promoted to Executive Vice President and, in June, 1971, was elected a Director. He assumes responsibility for The Gorton Corporation, Advertising and Marketing Services and Trade Policy and Customer Relations as well as for the six divisions which comprise the Consumer Foods Group.

Elected to the Board of Directors at the company's annual meeting on September 15, 1970, was Dr. Charles F. Phillips, prominent economist and business consultant, who is President Emeritus of Bates College, Lewiston,



See page 23 for data on which this chart is based.

Me. Deane W. Malott, President Emeritus of Cornell University, reached the retirement age for directors and did not stand for reelection. He had served as a member of the General Mills board for 22 years.

FOODS

Foods continued to be the dominant business of General Mills. In fiscal 1971, food products accounted for 75.3 per cent of total company sales. Revenues gained 4.5 per cent and totaled $843,800,000. Excluding sales accounted for by Morton Foods, Inc., a subsidiary sold in April, 1970, the per cent of gain in foods approximated the corporate average.

For the first time, food operating profits passed the one hundred million mark. At $101,100,000, they gained 8.5 per cent over the previous year to represent 82.9 per cent of the corporate operating profit total. Despite unusually high development costs associated with new products and services, the per cent gain approximates the compound growth rate of 9.4 per cent since 1967.

Management anticipates growth of the food sectors in which General Mills competes and made expenditures during the year to assure the company's ability to take advantage of identified opportunities. Many new consumer food products were introduced. The new protein foods program, which includes BONTRAE products, was expanded. Sales from Red Lobster Inns and test restaurant ventures more than doubled from a small base and promise to add important new sources of sales and earnings. International food operations recorded significant gains, and improved trends are expected to continue.

During the year, several significant steps were taken to assure that the food products sold by General Mills will continue to be safe, wholesome and aesthetically appealing and will always be produced in conformity with the spirit as well as the letter of applicable food regulations. Among these actions were:

1. Development of an updated Nutritional Policy Statement and appointment of Daniel G. McPherson as Vice President for Quality Control, Nutritional Policy and Food Safety, with responsibility for assuring adherence to company objectives;
2. Increasing the amounts of nutritional information on the company's cereal packages and in advertising;
3. Introduction, following lengthy research, of new products with high nutritional value, such as Buc* Wheats, Breakfast Squares and textured vegetable protein specialties;
4. Reformulation of many of the company's flour-based mix products to include enriched flour, adding to their nutritional value, and emphasizing nutritional considerations in all product development activities;
5. Extensive testing of Gorton seafood products to confirm that levels of mercury are within the limits established by the Food and Drug Administration; (Monitoring will continue to assure the safety of all seafood products.)
6. Cooperation with the FDA, as one of a select group of food manufacturers, in a pilot study of food additives now on the GRAS (Generally Regarded As Safe) list. In addition, General Mills joined other leading food manufacturers in sponsoring in-depth studies on sulfites, nitrates, phosphates and antioxidants, now being conducted by the Food Research Institute of the University of Wisconsin. All of these food additives have already undergone extensive safety analysis and have been used in foods for many years. If, however, latest food technology shows any legitimate objections to their use, appropriate action will be taken by the company.

The company will continue to broaden and improve its line of food products and services for new growth based on steadily enhanced values for its ultimate customers, the consumers of this nation and the world.

FOODS AT HOME

Cereals and Snacks

Approximately one-half of the sales of food products designed primarily for use at home, or $338,200,000, came from cereal and snack items. Though sales from this source increased only modestly because of the Morton Foods disposition, operating profits advanced over six per cent to $56,500,000. Largely responsible for the increased earnings were continuing gains by Tom's Foods and improvements in international snack operations, particularly at The Smiths Food Group in England.

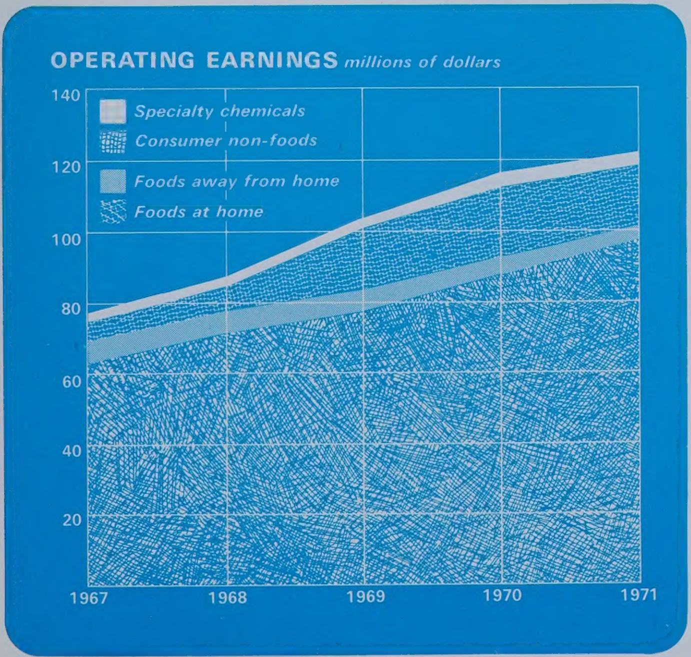
Though the market was adversely affected by confusion following publicity on legislative hearings regarding the nutritional values of ready-to-eat cereals, in July, 1970, relative normality returned by the end of the fiscal year. Meanwhile, physical volume declined modestly. In an intensely competitive environment that often found consumers switching to highly fortified brands — including General Mills' TOTAL and KABOOM — the Big G share of the market declined. However, the company's brands retained their hold on second place in sales.

Adding future strength to the Big G line, which includes such leading brands as Cheerios, Wheaties, Lucky Charms, Trix and Cocoa Puffs, are four new vitamin and iron fortified ready-to-eat cereals introduced nationally in the spring and summer of 1971. Count Chocula and Franken*Berry, pre-sweetened chocolate and strawberry flavor cereals with marshmallow bits, are aimed at the child segment of the market. They both contain one-third of the Minimum Daily Requirements for vitamins and iron. Corn Total, a new version of TOTAL, which contains more vitamins than any other cereal in the industry, also entered the market.

Reaching national distribution in June, 1971, following a year-long test market experience, is a fourth new product, Buc*Wheats, a high nutrition flake cereal "with a snap of maple flavor" and 100 per cent of the Minimum Daily Requirements of vitamins and iron. It contains more basic vitamins and basic minerals and has about half the calories of a bacon and egg breakfast.

Additionally, General Mills is test marketing a completely new non-cereal breakfast item — Breakfast Squares. Two of these baked, frosted squares provide a complete light breakfast and also serve as a nutritious snack. They are designed to capitalize on the increasing demand for breakfast items of high convenience and nutritional value.

These efforts, plus many new ideas and strategies in the overall breakfast market, should provide General Mills with good long-term growth prospects in this important part of the business.



See page 23 for data on which this chart is based.

In recent years, General Mills has made a major commitment in snacks, seeking to capitalize on the growing trend toward between-meal eating. Snacking is now one of the most popular meal occasions of the day and seems destined to grow as Americans increasingly have more leisure and fewer formal family meals at home.

The company's line of snack products includes a significant variety. Largest contributor to this line is the domestic arm of Tom's Foods Ltd., responsible for all of Tom's brand products. Tom's continued to make excellent progress in potato chips, peanuts, sandwiches, confections and other snack products, helped by the addition of 170 new routes by its nearly 500 distributors across the nation. This was the largest number of routes ever added by Tom's in a single year. Tom's 200 products are now sold through more than 2,350 routes, serving 357,000 retail accounts, including well over 100,000 vending machines.

A sixth Tom's plant was opened during the year in Fresno, Calif., to manufacture potato chips and other snacks and to serve as a West Coast distribution warehouse for items manufactured elsewhere. Plants in Macon and Columbus, Ga., increased capacity and efficiency.

Sales of Tom's baked goods were especially strong with the start of a new oven system and a pretzel line. Tom's shelf-stable French fries were introduced in two sizes and became the most successful new product in Tom's history.

The Donruss Company of Memphis, Tenn., continued an outstanding record of sales and earnings growth in one-cent Super Bubble gum and other novel bubble gum products. Plant and warehouse capacity was virtually doubled when a 100,000-square-foot addition was opened during the year.

GoodMark, Inc., which markets meat snacks and specialties under the Slim Jim and Penrose brands, added pizza and chili flavored meat snacks and prepared to add new items and expand distribution to supermarkets in selected areas.

Long-shelf-life Big G snacks were supplemented by three additions to the line, Rye Chips, Cheez Willikers and Pop-r-Corns. Of greater importance, completion of new production facilities for Chipos, new fashioned potato chips, allowed expansion from test markets to outlets in approximately 85 per cent of the United States. Another promising item, Crisp-I-Taters, a shelf-stable French fry snack, was introduced and will soon be available nationally.

International snack activities made a significant recovery from the previous year. English operations of The Smiths Food Group enjoyed good sales and earnings. Three new shaped snack products and a new nut item added

strength to the basic potato crisp business. A new lightly carbonated grapefruit-based drink boosted the operations of Fonti Levissima in Italy. Five new snacks were introduced by General Mills' majority-owned French subsidiary, Biscuiterie Nantaise, as were new puff pastry items. In Japan, snack operations reached capacity at the end of the year.

Mixes, Family Flour, Seafood, Other Consumer Foods

Favorable trends in dessert and baking mix markets, continued share growth in the family flour market, better performance by specialty meat products and successful new product innovations enabled mixes, family flour, seafood and other consumer foods to gain nearly eight per cent in sales, to $338,100,000. The per cent of total company sales contributed by this category remained virtually unchanged at 30.2 per cent. Operating profits gained 13.9 per cent to $40,100,000.

Gold Medal Flour and such regional flour brands as Red Band, LaPina and Sperry's Drifted Snow continued to strengthen the company's No. 1 position in the family flour market, increasing General Mills' market share.

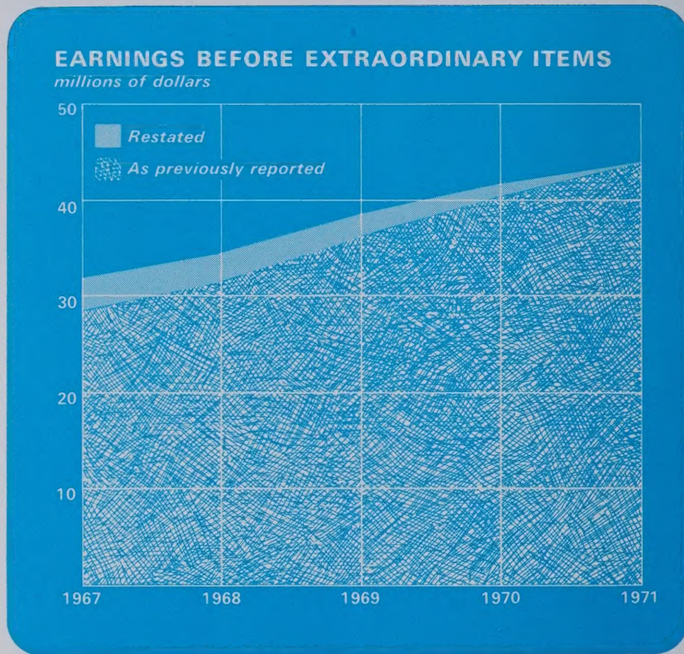
Continuing the trend of recent years, the total market of family flour declined four per cent to $255,000,000 at retail, but emphasis on smaller package sizes continues to enable General Mills' brands to perform considerably better than the industry as a whole.

Betty Crocker dessert brands have increased sales over 50 per cent in the past five years and continue as the leader in the huge retail grocery dessert business. Substantial gains were recorded in both unit and dollar sales in fiscal 1971, with new dessert products accounting for a significant portion of the growth. Betty Crocker products remained No. 1 or 2 in every sub-segment of the markets in which they compete.

New product introductions, including apple cinnamon and cherry upside down cakes, new Golden Pound Cake and sour cream white layer cake, helped Betty Crocker brands maintain their position in the highly competitive, $200,000,000 retail cake mix market.

Betty Crocker products increased their leadership in the frosting market, which grew about seven per cent during the year to nearly $100,000,000 at retail. The ready-to-serve segment again reflected the best growth. Betty Crocker introduced one new ready-to-spread flavor, one new mix flavor and opened a new segment of the market by introducing chocolate and vanilla whipped frostings in February. Following the close of the fiscal year, the national introduction of chocolate and vanilla glaze mixes created still another market segment.

National introduction of four flavors of ready-to-serve canned puddings in the single serving size was completed late in the year, including the first tapioca and rice flavors. Specialty desserts such as brownie mixes, pudding cakes and cookie mixes performed well.



See page 24 for data on which this chart is based.

Acquisition of Pioneer Products, Inc., a quality producer and distributor of candy cake decorations and a full line of birthday, dinner and specialty candles, provided a further entry to the dessert field.

Sales of specialty products for baking grew in markets totaling nearly $90,000,000 at retail. Bisquick sales benefited further from the improved version introduced the year previous. The product delivered the highest unit volume in its 39-year history, increasing its already established dominance of the biscuit and variety baking mix markets.

Pie crust mix achieved sales gains and improved its share of the market. Spice and date nut mixes joined the Betty Crocker muffin line.

In the processed potato market, Betty Crocker products, which increased sales over 40 per cent in the past five years, continued to show sales growth and maintained their leadership. Both Potato Buds and specialties gained significantly. A hash brown product in large-size package was placed in test market.

Moving from test markets to national distribution this coming fall is a line of five casserole dinners—all labeled Hamburger Helper—products designed to help consumers stretch their food dollars. When combined with one

pound of hamburger, each enables the homemaker to prepare a tasty dinner which will adequately serve a family of five.

In the Carolinas and Virginia, Jesse Jones sausage, hot dogs and luncheon meats achieved increased profitability as gains in sales and improved efficiencies allowed for improved margins.

Following the opening of the new textured vegetable protein plant in Cedar Rapids, Iowa, four new consumer products were introduced—two nationally and two in test markets. Betty Crocker Saus*Os and Pepr*Os, flavored like mild sausage and spicy pepperoni, moved into national distribution as companion products to previously introduced Bac*Os. Betty Crocker Breakfast Links and Betty Crocker Breakfast Patties, frozen mixtures of textured vegetable protein and pork, entered a Denver test market. These products offer significant nutritional benefits since they contain more protein, less fat and fewer calories than all-pork sausage.

Although Gorton's total operations achieved programmed goals, sales of the subsidiary's retail frozen products failed to reach objectives during the year. Marketing programs were aggravated by higher raw material costs with resultant higher selling prices and by the mercury scare in seafoods. Gorton's had only small quantities of swordfish, a species cited by the FDA for excessive mercury content, and they were immediately withdrawn from the market. All other products went through extensive tests, and all were found to be within safety limits established by the government.

New product introduction and aggressive merchandising indicate that the retail frozen fish and seafood business will improve over the next two years. The company expects seafood sales to benefit from the growing consumer interest in nutrition and weight control.

In Canada, consumer food sales recovered nicely from the previous year, which was handicapped by a strike. The Toronto Macaroni subsidiary showed improved earnings. The company's Mexican food operation in Guadalajara experienced an exceptionally good year as did a number of Latin American flour operations.

FOODS AWAY FROM HOME

General Mills intends to broaden participation in the growing market for foods eaten away from home. The industry has current retail sales of about $40 billion annually and is expected to continue to show good growth during the 1970's as increasing disposable income and expanding activity outside the home encourage a further shift in traditional eating habits. During the past year, the company established some of the strategic bases from which this effort is being launched.

New prepared foods and protein products plants were completed in Cedar Rapids, Iowa, to permit expansion of the company's role as supplier of upgraded product lines, including new BONTRAE foods, to food retailers, hotels, schools, restaurants, institutions and to other food manufacturers.

The company progressed toward achievement of a second objective, that of establishing an important profit position through successful development of one or more major chains of family oriented restaurants, by moving Red Lobster Inns from a limited test stage to major expansion and by adding test units for two other prospective operations.

During this transition period, sales of foods for use primarily away from home grew 4.8 per cent, to $167,500,000. Operating profits of $4,500,000 for these activities represented a reduction of six per cent from the previous year.

Commercial Products and Ingredients

Sales of products and ingredients to institutions, food service outlets and to other manufacturers, at $154,000,000, were flat relative to the previous year because of the disposition of Morton Foods' institutional lines. Operating profits, adversely affected by start-up and test costs, declined 19 per cent to $5,500,000.

Gorton's sales of frozen and canned institutional seafoods showed further gains. Earnings were at projected levels despite higher cost of the major raw material, cod blocks. Gorton's fish meal operations in Peru were exceptionally good for the second successive year. In the face of possible partial nationalization of the industry, profits in Peru are not likely to continue at the same level.

In this fifth year since General Mills reduced its flour milling capacity by 55 per cent, commercial flour profits improved as a result of production and marketing efficiencies. In Latin America, where General Mills subsidiaries mill flour and grain for commercial interests such as bakeries, practically all locations achieved successful performances. The food ingredient markets served by General Mills Chemicals, Inc., continued to grow, and several new products were introduced. Wheat gluten and wheat germ products were especially strong.

Substantial starting costs associated with the new plants at Cedar Rapids and market development costs associated with the BONTRAE foods program were absorbed during the year as the company prepared to expand this phase of its operations. The new plants produce textured vegetable protein items along with canned and frozen prepared foods.

BONTRAE frozen vegetable protein analogs of beef, ham and chicken were made available nationally. A timely

development which should enhance the market development opportunity for the new line is the recent approval by the Department of Agriculture for use of textured vegetable protein as the source of as much as 30 per cent of the meat and meat alternate requirements in the Federal school lunch program. The company is still in the beginning stages of development of this new group of foods; it will probably take several years and will require the combined development efforts of General Mills and other companies before expected profits are realized. However, the future continues to be potentially exciting. The Stanford Research Institute, for example, has forecast that sales of meat analogs will grow from about $10,000,000 in 1969 to between $1.5 and $2.0 billion by 1980.

With the availability of the new facilities, new convenience products were introduced to the trade in the latter part of the year. New items for the away-from-home eating market included five new quick-cook canned entrees (beef stew, chicken stew, chicken à la king, macaroni with beef and tomato sauce and macaroni and cheese) and sodium-controlled chocolate and vanilla ready-to-serve puddings.

Restaurant Activities

As General Mills' probe in the restaurant field gradually evolved from the test stage, sales from restaurant activities more than doubled during the year to $13,500,000. Test losses were incurred in each of the past two years, but the company anticipates that these activities will be profitable in fiscal 1972 and, furthermore, will represent an important source of new profits in the future.

The company is concentrating efforts in the limited menu, sit-down restaurant category which it believes will afford the greatest opportunity for growth during the 1970's, with its emphasis on informal dining, fast service, modest prices and quality food. Red Lobster Inns, offering a full menu of seafood specialties and limited additional choices at modest family prices, have proved to be very popular with away-from-home diners, and the chain is being expanded in the southeastern states. Seventeen new units were constructed during the year, making a total of 22 company-owned units now open in Florida and Georgia. Similar expansion is planned during the coming year.

New Betty Crocker Tree House Restaurant and Bake Shops were opened in Columbus, Ohio, and Overland Park, Kans. (Kansas City), during the past year. With the units in Dallas, Tex., and Scottsdale, Ariz., they complete the series for the initial test program.

General Mills broadened its participation in the dessert business through the opening of six Betty Crocker Pie Shop and Ice Cream Parlors. These test retail shops, four in the Minneapolis-St. Paul area and two in the Hartford, Conn., area, feature a broad line of freshly baked quality pies, for both carry out and on-premise consumption, as well as ice cream specialties and sandwiches, soups and salads.

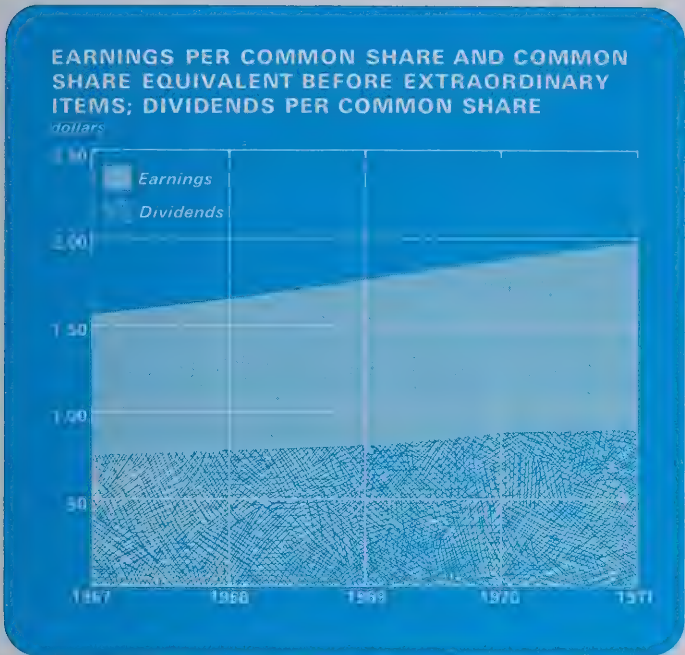
CONSUMER NON-FOOD PRODUCTS AND SERVICES

General Mills' strategic expansion during the past several years has focused on the development of new businesses, concentrated on product and service areas in which the company's marketing skills can be applied to serve the well-being of the consumer.

Following the development of craft, game and toy operations, accorded division status over two years ago, the fashion venture became a separate division in fiscal 1970. This past year, the direct marketing venture also achieved divisional status because of its internal growth and external expansion. Together with the results of two pilot ventures, these consumer non-food activities accounted for $237,800,000 in fiscal 1971 sales revenues, or 21.2 per cent of the corporate total. Operating profits declined, however, to $17,700,000, or 14.5 per cent of the total, because of unsatisfactory results from crafts, games and toys. With anticipated improvement in the general economy and strengthening of craft, game and toy operations, consumer non-food activities are expected to achieve earnings growth in excess of the corporate average.

Crafts, Games and Toys

Through internal growth and international acquisitions, sales of craft, game and toy products increased nearly 22 per cent during the year, to $126,600,000; all subsidiaries of the Craft, Game and Toy Division reached record levels. While representing a good increase, this sales growth was below expectations. It was affected adversely by a softening of the general economy which prompted a sharp curtailment of normally strong reorders by the retail trade during the critical three-month pre-Christmas period, with buying cutbacks continuing through the spring. The combination of less-than-anticipated sales and the company's program of investment spending for the future resulted in a decline in operating profits from $7,500,000 in 1970 to $1,400,000 in 1971. Other factors which contributed to the reduced operating profits were abnormally high inventory markdowns and a loss of $664,000 caused by the financial collapse of a group of Danish companies with which General Mills had a supply contract and an option to purchase assets.



See page 24 for data on which this chart is based.

The recent program of heavy investment spending in major craft, game and toy subsidiaries was considered essential to improve existing facilities and strengthen management in anticipation of future growth. A solid base of operations has now been established, and it is believed that several years of continued sales expansion can be accommodated without additional major expenditures.

In order to strengthen General Mills' position in the marketplace and to effect economies, certain elements of U. S. operations were combined. Most important was the combination of the operations of Rainbow Crafts and Kenner Products, providing greater sales strength to Rainbow products and greater breadth to the Kenner line, along with economies in management, sales personnel and distribution. Model Products and Craft Master, both selling to the leisure, hobbycraft market, have formed a joint sales force to maximize efficiencies in selling their products. Throughout the division, important strides have been made toward a common consumer identity, including the joint sponsorship of all-family TV specials and the adoption of related package design elements to create a line identity within the overall family of General Mills' consumer products.

As always, new products have played an important role in the division's growth. Kenner's SSP Racer was favorably received by trade and consumers, and Parker Brothers' Nerf Ball was a consistent best seller throughout the year. Similarly, the reintroduction of the well-remembered Lionel train line received enthusiastic support.

A number of exciting new products was introduced at the spring Toy Fair in New York City, including Kenner's first entries in the large and rapidly expanding doll market. While nothing can rival Monopoly, Parker Brothers hopes to come close with Masterpiece, a new art auction game billed as "the greatest game since Monopoly." Craft Master continued to hold its position as the leading producer of hobby paint-by-number products, and added a number of new, highly creative do-it-yourself items to its craft and hobby line.

Expansion of craft, game and toy overseas activities continued. General Mills acquired a Latin American toy operation and added two European toy companies: the Georg Brohm company of Germany and the Denys Fisher company of England.

Fashion and Direct Marketing

Fastest growing of General Mills' major activities are the consumer non-food operations which were new to the company in fiscal 1969 — fashion and direct marketing. Results of these activities, together with two small pilot ventures, reflect a dramatic story of progress.

During the past year, internal growth of fashion and direct marketing have boosted sales more than 29 per cent to $111,200,000, or about 10 per cent of the corporate total. Operating profits of $16,300,000 gained about 17 per cent over the previous year and currently represent 13.4 per cent of the total company earnings.

All facets of fashion operations performed well, providing another year of balanced growth. Chemise Lacoste and David Crystal dresses and suits continued to perform superlatively well, a noteworthy achievement since the fashion industry in general had a disappointing year.

Izod significantly broadened its pioneering position in doubleknit slacks for men and introduced a new line of doubleknit sports coats. Consumer demand for Haymaker sportswear for active women increased. The Ernie Sabayrac company, the David Crystal distribution subsidiary serving pro shops, provided valuable support to the operation. Crystal Sunflower children's wear also performed well.

Monet, master jeweler, continues to be the leader in the costume jewelry industry. Its fall collection has been enthusiastically received by the nation's finest stores.

During fiscal 1971, Monet entered a major, new product area with a collection of beautifully styled fashion

pierced earrings with new technical features. Acceptance of the new products by stores and consumers was exceptionally favorable.

To permit expansion, as well as to help meet rapidly growing demand for other product lines, Monet opened a second manufacturing facility in Providence, R.I. In a short time, the new plant has gained steadily in production capacity while maintaining Monet's uniquely high quality standard.

As men's belts returned as a fashion item, Knothe Brothers, a manufacturer of fine belts and pajamas for men, posted significant gains.

Two acquisitions broadened the company's fashion base during the year. The Silna Corporation of Moonachie, N.J., is primarily a manufacturer of high quality double-knit fabrics. As a part of General Mills, it will make possible closer coordination in fabric design for both present and future apparel operations; it will also contribute to expanded participation in the rapidly increasing double-knit market.

General Mills entered the fashion outerwear market during the year through acquisition of the Alligator Company, Inc., a firm with a long history in the rainwear business. Complemented by new styling, manufacturing and selling capabilities, the classic Alligator label should be an increasingly important factor in both men's and women's fashion outerwear markets.

In preparation for the even greater future growth planned for David Crystal, the executive team and design staffs of this subsidiary have been strengthened. This, plus the strong management and styling teams at the company's other subsidiaries, provides exceptional competence in these critically important areas.

The outlook for fashion products continues favorable. Consumer demand for up-to-date, well-made apparel and accessories is strong, and the company's present subsidiaries, with their individual growth programs, are geared to meet this demand. Changing life styles, particularly as they relate to the increasing desire for fashion in casual clothing, are counted on to have a further favorable impact upon this division's direction and results.

In direct marketing, the company took an important step forward with the acquisition of Eddie Bauer, Inc., primarily a mail-order marketer of Bauer Goose Down garments and sleeping bags, camping gear and tents, boots and footwear, casual outdoor wear, fishing gear, gifts and hunting accessories. Bauer products, backed by a positive guarantee, are of the finest quality.

Eddie Bauer has its headquarters in Seattle, Wash., and operates a highly successful retail store there. The company's operations are characterized by highly sophisticated sales forecasting and manufacturing control techniques formulated by the young and well-qualified management team which continues to operate the company.

The outdoor recreation goods field is sizable and growing. Recreational expenditures are increasing and are taking a larger share of the consumer dollar. Eddie Bauer represents an important base for future expansion into the leisure-recreational market.

The past year has been one of rapid growth for LeeWards, General Mills' mail-order and retail hobbycraft and art needlework subsidiary acquired in 1969. LeeWards' mail-order operation was moved to a new facility during the year, permitting major improvements in manufacturing and order processing. A new distribution center was opened to support the rapid growth of LeeWards retail stores. Today, LeeWards has supermarket-size, high-volume retail locations in Columbus, Ohio, Richfield, Minn., South Holland, Ill., Warren, Mich., and Elgin, Ill. The subsidiary moved into the rapidly growing patterns, fabrics and notions field by locating fabric centers in each of the larger stores.

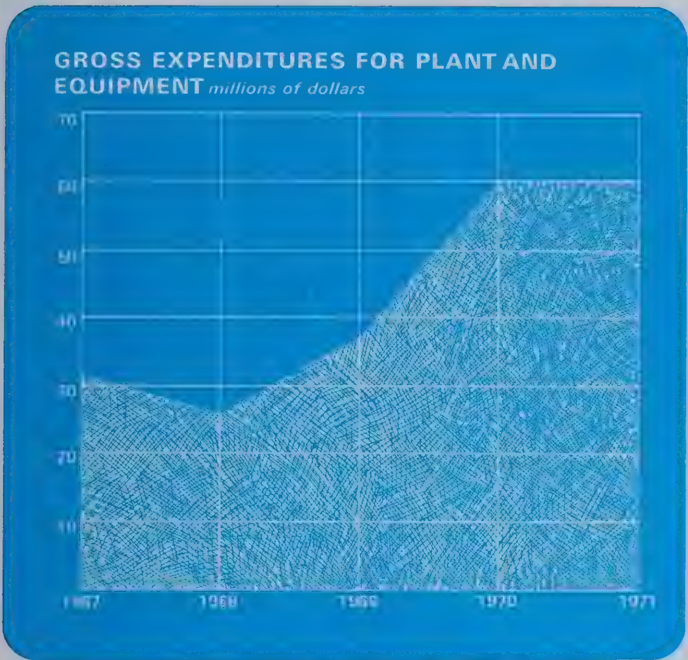
Free catalogs are available upon request for both LeeWards and Eddie Bauer product lines.

Two small pilot ventures are probing opportunities in home sewing and personal services. One involves a time-saving sewing aid named THE JOINER. A fabric bonding film, it is being marketed on a limited test basis. Another venture is in the Health Maintenance field in which a program entitled COUNTERWEIGHT is being tested. It is a personalized and computerized weight control program that allows eating favorite foods while adjusting overall eating and activity habits in order to achieve weight loss. While the opportunities these activities seek to exploit seem promising, it is too early to evaluate the commercial feasibility of expanding either venture.

SPECIALTY CHEMICALS

General Mills' specialty chemical business, like most chemical businesses, was affected by the slow economy. It also suffered from rising costs. As a result, its profits remained constant at $3,100,000 while sales increased six per cent to $38,500,000. A slight improvement in the market for specialty chemical products became evident in the final quarter of the fiscal year.

Despite the sluggish economy, many product areas continued to progress. Recognition of the importance of vitamin E to human and animal well-being and its accept-



See page 25 for data on which this chart is based.

ance by doctors and nutritionists grew during the year. Sales of WATERPOXY resin systems showed encouraging trends, strengthening a hopeful outlook for this product, which decreases the use of unpleasant and toxic solvents in coatings. LIX reagents, used in mining applications, continue to look promising, and guar gum and its derivatives are also expected to earn continued growth. The use of guar products in water pollution abatement, especially for paper plants, offers promise in these times of increasing concern about ecological problems.

Chemical activities overseas continued to grow and turned in favorable results.

NEW MANAGEMENT ASSIGNMENTS

Beyond the election of Executive Vice President E. Robert Kinney as Chief Financial Officer and H. Brewster Atwater, Jr., as Executive Vice President, other important changes in the management structure of the company were made during the year.

Arthur R. Schulze, formerly Vice President and Assistant General Manager of the Big G Division, was appointed Vice President and General Manager of the Golden Valley Division. He succeeded F. Caleb Blodgett, who was named Vice President and General Manager of the Big G Division, replacing Cyril W. Plattes, who retired after 23 years with General Mills.

Carson J. Morris, formerly Vice President and Assistant General Manager of the Food Service and Protein Products Division, became General Manager of that division, replacing William R. Humphrey, Jr., who assumes new duties as General Mills' Vice President for Civic and Community Affairs.

Robert K. Swanson, who returned to General Mills after a decade of employment in the advertising agency field, most recently as Chairman of S. H. Benson Advertising Agency, was named a Vice President with responsibilities related to the Food Service and Protein Products Division, Health Maintenance programs and other corporate assignments.

Clifford L. Whitehill, Assistant General Counsel, was appointed Vice President.

James P. McLane was named General Manager of the newly created Direct Marketing Division. Lee C. Anderson was promoted to President and General Manager of LeeWards, one of the new division's subsidiaries; Sidney Fink retired as President during the year.

Two new operating heads of General Mills' domestic craft, game and toy subsidiaries are John F. Deegan, named President and General Manager of Model Products, succeeding the retired George A. Toteff, and Richard M. Kovacevich, named General Manager of Kenner Products.

In addition to Mr. Plattes, two other officers retired during the year. They are Henry H. Finch, Vice President and Director of Purchases, who completed 33 years of service, and Ralph E. Gaylord, Vice President, Special Corporate Assignments, who first joined the company in 1921.

CAPITAL INVESTMENTS AND ADVERTISING

Projects designed to help take advantage of developing opportunities throughout General Mills required gross expenditures for buildings, equipment and land of $60,400,000 — the same as in the previous year. Major outlays were for completion of protein and food processing plants at Cedar Rapids, Iowa; construction of 17 new Red Lobster restaurants; expansion of LeeWards retail stores and construction of a new mail-order plant; heavy tooling costs and new facilities for a number of craft, game and toy subsidiaries; and building and equipment requirements throughout the company's domestic and international food businesses.

Capital projects approved for pollution control totaled more than a million dollars.

During fiscal 1971, General Mills and its subsidiaries spent $54,000,000 for media advertising.

JAMES FORD BELL TECHNICAL CENTER

The organization of the James Ford Bell Technical Center of General Mills was modified to increase the interaction and involvement of all technical people in the company, to strengthen lines of communication and to reduce the time lag between discovery and commercialization of products and processes. An important change was in the coordination of nutritional policy and food safety in the light of the "consumerism" movement and government regulations as they will affect General Mills in the future.

In July, 1970, Dr. John V. Luck, formerly Director of Research and Development for Durkee Foods of SCM Corporation, became Vice President and Technical Director of General Mills. With his many years of experience in food industry research, he brings to the company acute awareness of the role that technical people must play in establishing and achieving corporate goals.

During 1970-71, General Mills and its subsidiaries spent a total of $14,600,000 on their research programs.

FINANCIAL

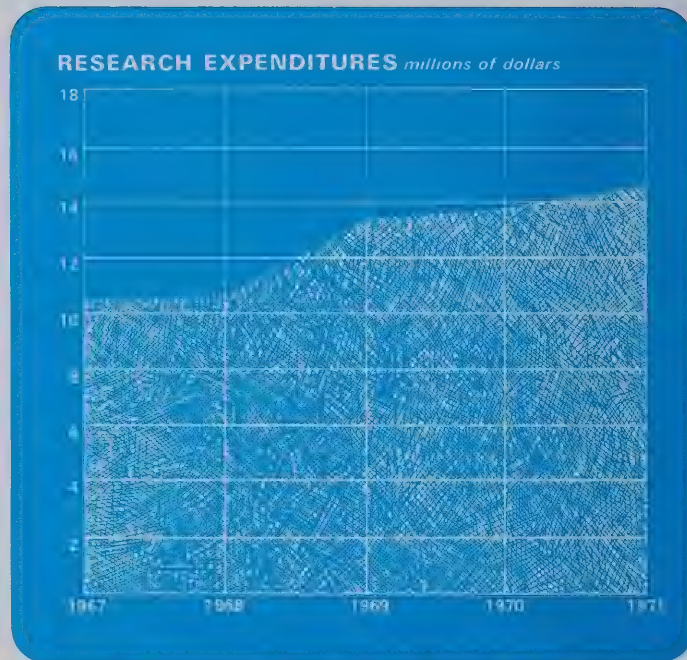
During the year, General Mills refinanced many of its short-term and intermediate-term obligations.

In the second quarter, the company sold $100,000,000 of 8⅞ per cent sinking fund debentures due October 15, 1995, and used the proceeds to repay borrowings under an intermediate-term revolving credit agreement with 14 banks. In March, the company sold $20,000,000 of 8 per cent Guaranteed Eurodollar Debentures due 1986 in Europe, and used the proceeds to repay short-term and intermediate-term borrowings from banks abroad.

These actions freed short-term and intermediate-term credit facilities for pursuing new opportunities should they arise. At the end of the year, confirmed bank credit lines available to the company aggregated $68,000,000, against which nearly $8,000,000 had been borrowed.

LABOR RELATIONS

Because most of the labor agreements with 28 international unions representing production employees in the United States and Canada had been negotiated earlier on a multi-year basis, bargaining during the year was limited to 16 contracts. A strike of 11 weeks occurred during negotiation of the Great Falls contract, and short work stoppages occurred at two grain elevators. Emphasis during the year was on training of



See page 25 for data on which this chart is based.

supervisors in techniques of human relations and contract administration, looking forward to major contract negotiations in fiscal 1971-72.

NEW BETTY CROCKER COOKBOOKS

Betty Crocker Cookbooks represent extended service to homemakers everywhere, enhancing the reputation of Betty Crocker and General Mills. Sales of all books in the line have now exceeded 31 million copies.

Two new editions were introduced in 1970-71. *Betty Crocker's Dinner Parties* gives the ground rules for delightful casual dinners, meals that cook at the table, flexible buffet dinners and traditional sit-down dinners. *Betty Crocker's Basic Bakings* explains the essentials of baking, with clear, action pictures demonstrating every step of the baking process.

CORPORATE CITIZENSHIP

During a period of unrest and dramatic change such as that through which the world is now passing, citizenship, corporate and private, assumes increased importance. General Mills in 1970-71 continued to help meet the social needs of America through efforts beyond the basic economic functions of business.

The company, its subsidiaries and the General Mills Foundation provided $1,207,000 for the support of health

and welfare programs, education and civic, cultural and other activities. Of this total, approximately $84,000 consisted of contributions that matched the gifts of employees to secondary schools, colleges and universities of their choice.

One hundred ten thousand dollars in scholarships provided through the Betty Crocker Search for the American Homemaker of Tomorrow, General Mills' unique educational program, aided 102 outstanding young women with their work toward college degrees. In addition, the program helped educators give high school senior girls a deeper appreciation of the home as the basic institution of our society. The nation's schools enrolled more than 650,000 girls in the Betty Crocker Search, which completed its 17th year.

Throughout its history, General Mills has encouraged community service by employees. During 1970-71, Chairman and Chief Executive Officer James P. McFarland provided an effective example in this area. He served as food industry spokesman to report progress in implementing recommendations of the White House Conference on Food and Nutrition. He continued service as Chairman of the Grain Milling Sub-Council of the National Industrial Pollution Control Council appointed by President Nixon, and was Chairman of the National Industrial Payroll Savers Committee for the five-county Twin Cities area in the U. S. Savings Bond Campaign for 1971. Currently, he also serves as Chairman of the Packaging and Labeling Sub-Council of the National Business Council for Consumer Affairs, organized by the U. S. Department of Commerce.

During the year, J. Wilbur Feighner, member of the Board of Directors and a Vice President of General Mills as well as Chairman of the subsidiary, Tom's Foods Ltd., received special recognition for his contributions to the progress of minority individuals. The Locality Mayors Committee of Greater New York presented to him a special plaque for his "untiring efforts with time and money in support of the establishment of minority Tom's distributorships nationwide."

In a dramatic example of government-business cooperation, General Mills joined other members of the food industry to expand the Federal Food Stamp Plan designed to help underprivileged families obtain adequate, nourishing food. The company played a prominent role in achieving 100 per cent participation in food assistance programs by the counties of Minnesota.

In the coming year, General Mills and General Mills people are pledged to continue with the search for solutions to America's problems and to help build a better nation in which to work and live. To help assure that the company will remain effective in serving the best interests of its stockholders, employees and society, the Board of Directors in April, 1971, established a Public Responsibility Committee consisting of five non-management directors. While the committee is not limited in its authority to examine the corporate-public relationship, it is anticipated that it will emphasize the following areas: (1) protection and improvement of our physical environment, (2) employment practices which foster the economic progress of minority and disadvantaged persons, (3) products and services which represent high standards of safety, wholesomeness, nutritional quality and fair value to the consumer, (4) packaging, promotional and advertising practices which are not only of high quality but which also reflect the increased expectations of the public, (5) corporate involvement and leadership in constructive programs designed to strengthen the social fabric of our nation. First members of the Public Responsibility Committee are Thomas M. Crosby, Chairman, Ford Bell, William H. Lang, Louis W. Menk and Charles F. Phillips.

Another move, designed to provide additional top management involvement in the area of social responsibility, was the appointment of William R. Humphrey, Jr., as Vice President for Civic and Community Affairs.

LEGAL MATTERS

The Federal Trade Commission announced in July, 1970, its intent to study the breakfast cereal industry and initiated this investigation with a letter received by General Mills on December 10, 1970. This letter requested the company to furnish the FTC with certain data and records pertaining to the breakfast cereal activities of the company. Most of the requested information has been sent to the FTC, and it is expected that the remaining data will be submitted prior to the annual meeting. It is the opinion of General Mills that the breakfast cereal operations of the company do not violate any existing law.

In the 1970 annual report of the company, attention was called to the proposed Federal Trade Commission complaint which would seek the divestiture by General Mills of all of its interest in The Gorton Corporation acquired in August, 1968. This proposed complaint was issued by the FTC on February 16, 1971, and answered by the company on March 25, 1971. As previously stated, General Mills carefully reviewed the legal aspects of the acquisition prior to committing itself and concluded that the acquisition would not violate any existing law. It is expected this matter will take several years and costly litigation to settle.

Since last year's annual report, there has not been any new development in the Federal Trade Commission's investigation of the company's acquisitions in the craft, game and toy fields.

RESULTS OF OPERATIONS

GENERAL MILLS, INC., AND SUBSIDIARIES

	52 Weeks Ended May 30, 1971	53 Weeks Ended May 31, 1970
	(in thousands)	
SALES	$1,120,052	$1,033,646
COSTS:		
Costs of sales, exclusive of items shown below	696,482	644,325
Depreciation and amortization (Notes 3 and 4)	27,459	25,890
Interest expense	20,057	17,591
Contributions to employees' retirement plans (Note 9)	4,004	1,992
Profit sharing distribution (Note 9)	2,401	2,576
Selling, general and administrative expenses (Note 9)	280,983	254,302
TOTAL	1,031,386	946,676
EARNINGS BEFORE TAXES ON INCOME, extraordinary items and other items shown below	88,666	86,970
TAXES ON INCOME (Note 6)	(44,279)	(45,198)
OTHER ITEMS:		
Share in earnings of 50% owned companies	273	218
Minority interests in net earnings of consolidated subsidiaries	(804)	(367)
EARNINGS BEFORE EXTRAORDINARY ITEMS	43,856	41,623
EXTRAORDINARY ITEMS (NET OF INCOME TAXES):		
Write-off of "excess of cost over net assets of consolidated subsidiaries" related to The Smiths Food Group Limited, $13,087,000; losses on disposition of subsidiaries, $1,979,000; and elimination of reserve for self-insurance and research, $1,522,000	—	(13,544)
NET EARNINGS	$ 43,856	$ 28,079
EARNINGS PER COMMON SHARE AND COMMON SHARE EQUIVALENT:		
Earnings before extraordinary items	$ 1.98	$ 1.88
Extraordinary items	—	(.61)
Net earnings	$ 1.98	$ 1.27
Average number of common shares and common share equivalents	22,148	22,093

EARNINGS EMPLOYED IN THE BUSINESS

	52 Weeks Ended May 30, 1971	53 Weeks Ended May 31, 1970
	(in thousands)	
NET EARNINGS FOR THE YEAR	$ 43,856	$ 28,079
DIVIDENDS:		
$1.75 cumulative convertible preference stock	(2,532)	(2,657)
Common stock ($.90 per share, 1971, and $.88 per share, 1970)	(17,255)	(16,368)
TOTAL	(19,787)	(19,025)
NET EARNINGS IN EXCESS OF DIVIDENDS	24,069	9,054
Adjustments related to pooled companies	(187)	(1,827)
NET INCREASE IN EARNINGS EMPLOYED IN THE BUSINESS	23,882	7,227
EARNINGS EMPLOYED AT BEGINNING OF YEAR	202,334	195,107
EARNINGS EMPLOYED AT END OF YEAR (Note 5)	$ 226,216	$ 202,334

See accompanying statement of accounting methods and notes to consolidated financial statements on following pages.

FINANCIAL POSITION

GENERAL MILLS, INC., AND SUBSIDIARIES

	May 30, 1971	May 31, 1970
	(in thousands)	
CURRENT ASSETS:		
Cash	$ 4,647	$ 7,132
Short-term marketable securities (at cost, approximates market value)	6,581	6,997
Receivables (less allowance for possible losses—1971, $2,475,000; 1970, $2,416,000)	113,435	99,598
Inventories (Note 2)	153,743	129,622
Prepaid expenses	12,947	11,281
TOTAL	291,353	254,630
CURRENT LIABILITIES:		
Notes payable	24,964	9,109
Accounts payable and accrued expenses	93,858	86,299
Accrued taxes	27,890	20,219
Thrift accounts of officers and employees	3,509	3,289
Dividends payable	624	650
TOTAL	150,845	119,566
WORKING CAPITAL	140,508	135,064
OTHER ASSETS:		
Land, buildings and equipment (Note 3)	305,999	270,685
Investments, instalment receivables and miscellaneous assets	35,760	41,459
Deferred Federal income tax benefits, net (Note 6)	—	931
Excess of cost over net assets of consolidated subsidiaries (Note 4)	89,548	77,820
Patents, copyrights, contracts and other intangibles, less amortization (Note 4)	27,337	31,502
TOTAL	458,644	422,397
WORKING CAPITAL AND OTHER ASSETS	599,152	557,461
LONG-TERM DEBT, RESERVES AND DEFERRED LIABILITIES:		
Long-term debt (Note 5)	252,433	237,319
Deferred Federal income taxes, net (Note 6)	1,197	—
Reserve for disposition losses	2,257	3,445
Other liabilities, reserves and deferred credits	6,199	5,117
TOTAL	262,086	245,881
EXCESS OF ASSETS OVER LIABILITIES AND RESERVES	337,066	311,580
MINORITY INTERESTS	4,389	3,915
EXCESS OF ASSETS OVER LIABILITIES, RESERVES AND MINORITY INTERESTS	$332,677	$307,665
STOCKHOLDERS' EQUITIES (Note 8):		
Preference stock (involuntary liquidation value $85,530,000, May 30, 1971)	$ 4,507	$ 4,701
Common stock	111,674	110,798
Earnings employed in the business (Note 5)	226,216	202,334
Common stock in Treasury (deduct)	(9,720)	(10,168)
TOTAL STOCKHOLDERS' EQUITIES	$332,677	$307,665

See accompanying statement of accounting methods and notes to consolidated financial statements on following pages.

CHANGES IN FINANCIAL POSITION

GENERAL MILLS, INC., AND SUBSIDIARIES

	52 Weeks Ended May 30, 1971		53 Weeks Ended May 31, 1970	
	(in thousands)			
WORKING CAPITAL PROVIDED BY:				
Earnings before extraordinary items		$ 43,856		$ 41,623
Add non-cash items:				
Depreciation and amortization		27,459		25,890
Other (including deferred Federal income taxes)		4,868		3,463
Working capital provided from operations, exclusive of extraordinary items		76,183		70,976
Extraordinary items (loss)			$(13,544)	
Less non-cash extraordinary items		—	12,457	(1,087)
Book value of property, plant and equipment of operations sold		—		6,287
Proceeds from long-term debt issued		133,381		38,321
Sale of stock upon exercise of options		622		1,152
Decrease in investments		6,992		—
Other sources		2,738		2,038
TOTAL WORKING CAPITAL PROVIDED		219,916		117,687
WORKING CAPITAL USED FOR:				
Gross additions to plant and equipment	$ 60,397		$ 60,390	
Less proceeds from sales	5,809		5,867	
Net additions to plant and equipment		54,588		54,523
Purchase price of businesses	16,561		10,251	
Less working capital acquired	1,713		1,401	
Balance		14,848		8,850
Consisting of—Fixed assets	5,073		1,415	
—Intangibles and miscellaneous assets	10,538		9,387	
—Long-term debt	(1,548)		(924)	
—Minority interest	785		(997)	
—Deferred taxes, etc.	—		(31)	
Cash dividends		19,787		19,025
Long-term debt paid or charged against working capital		119,815		18,269
Increase in investments		—		1,217
Other uses		5,434		4,362
TOTAL WORKING CAPITAL USED		214,472		106,246
NET INCREASE IN WORKING CAPITAL		5,444		11,441
Consisting of—Cash and marketable securities	(2,901)		(10,810)	
—Receivables	13,837		7,912	
—Inventories	24,121		14,260	
—Payables	(31,279)		(2,446)	
—Other	1,666		2,525	
WORKING CAPITAL AT BEGINNING OF YEAR		135,064		123,623
WORKING CAPITAL AT END OF YEAR		$140,508		$135,064

In 1971, major outflows of working capital were expenditures for long-term debt paid of $119,800,000, gross additions to plant and equipment of $60,400,000, dividend payments of $19,800,000 and purchase price of businesses of $16,600,000.

Purchases of businesses include Georg Brohm Spielwarenfabrik (75%), Denys Fisher Group Limited (100%), Pioneer Products, Inc. (100%), Novedades Plasticas (75%), The Alligator Company, Inc. (100%), Goasdoué-LeMoal MBR (75%), increased ownership in a number of partially owned companies and payments applicable to contingent purchase price contracts. The mergers with Eddie Bauer, Inc., and The Silna Corporation are not reflected in the purchase price of businesses acquired since these were poolings of interest transactions.

Earnings, after addition of charges not requiring cash outlays, contributed $76,200,000. Long-term borrowings provided $133,400,000. These amounts plus other transactions provided total working capital of $219,900,000.

The combination of uses, totaling $214,500,000 and additions of $219,900,000, resulted in a net increase in working capital of $5,400,000 during the year.

See accompanying statement of accounting methods and notes to consolidated financial statements on following pages.

Accounting Methods

Accounting methods used by various companies differ. A brief description of the principal procedures used by General Mills may, therefore, be helpful in reading the company's financial reports.

REPORTING AND CONSOLIDATION

The consolidated financial statements include the results of operations and the account balances for the following:

- All company operations and 100 per cent owned subsidiaries.
- All majority-owned subsidiaries.
- General Mills' share of net earnings (losses) of 50 per cent owned companies.
- Dividends received from less than 50 per cent owned companies.

Financial information concerning foreign operations is translated to U.S. dollars based on the appropriate currency exchange rates. The fiscal years of foreign subsidiaries generally end during April.

EARNINGS PER SHARE

In determining earnings per common share, we include the average number of common shares outstanding plus what are called "common share equivalents." Common share equivalents represent common shares which may be issued under varying circumstances in the future. For General Mills, these include:

- Shares to be issued as a result of possible conversion of preference stock.
- Shares for certain stock options.
- Treasury shares purchased to be issued to officers and employees under a profit sharing plan.
- Shares for the former stockholders of certain acquired companies earned through profit performance contracts.

DETERMINATION OF INCOME

The following accounting methods have been applied from year to year in the determination of income:

- Inventory pricing results in a value which approximates the cost of the most recently purchased materials making up the inventory.
- A portion of the cost of buildings and equipment is charged against earnings each year as depreciation expense. This amount is computed by the straight-line method, which means that approximately equal amounts of depreciation expense are charged against operations each year during the useful life of the building or machine. For tax purposes, however, accelerated methods of depreciation are used which provide more depreciation expense in the early years than in the later years of the useful life of the property. The related tax effect for accelerated depreciation is recorded in the "deferred Federal income taxes" account.
- Other significant differences between amounts in our earnings statements and in our income tax returns are deferred compensation paid to officers and employees under a profit sharing plan, provisions for disposition of certain operations and write-off of "excess of cost over net assets of consolidated subsidiaries." Earnings are charged currently for deferred taxes resulting from these differences.
- Earnings also are charged with the year-by-year reduction in value resulting from the expiration of patents, copyrights and contracts, usually acquired through the purchase of businesses.
- Amounts for research and development are charged against earnings for the year in which they are spent.

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
MIDWEST PLAZA BUILDING
MINNEAPOLIS, MINNESOTA 55402

July 26, 1971

The Stockholders and the Board of Directors
General Mills, Inc.:

We have examined the statement of financial position of General Mills, Inc. and subsidiaries as of May 30, 1971, and the related statements of results of operations and earnings employed in the business and the statement of changes in financial position for the 52 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the financial position of General Mills, Inc. and subsidiaries at May 30, 1971, and the results of their operations and changes in financial position for the 52 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated.

Peat, Marwick, Mitchell & Co.

NOTES to Consolidated Financial Statements

1. ACQUISITIONS AND MERGERS

During the year, General Mills, Inc., acquired or merged with the following companies:

	Ownership	Accounting Method Used	Date of Combination
Goasdoué—LeMoal MBR	75%	Purchase	June 24, 1970
Georg Brohm Spielwarenfabrik	75%	Purchase	July 1, 1970
Pioneer Products, Inc.	100%	Purchase	July 16, 1970
Denys Fisher Group Limited	100%	Purchase	August 1, 1970
Novedades Plasticas	75%	Purchase	September 24, 1970
The Alligator Company, Inc.	100%	Purchase	December 3, 1970
The Silna Corporation	90%	Pooling	February 26, 1971
Eddie Bauer, Inc.	100%	Pooling	March 8, 1971

The above combinations for 1970-71 were accomplished by cash outlay and debt incurred of approximately $9,200,000 and issuance of 544,543 shares of common stock.

In addition, cash outlays of $7,400,000 were made for increased ownership in a number of partially owned companies and for payments under performance earnings agreements relating to companies acquired in prior years.

The 1969-70 financial statements have been restated to include, on a pooling of interests accounting basis, the accounts of Eddie Bauer, Inc., and The Silna Corporation. Eddie Bauer was acquired in exchange for 310,736 shares of common stock. For a 90% ownership interest in The Silna Corporation, the company issued 233,807 shares (35,609 shares held in escrow) of common stock and, additionally, may issue up to 116,902 shares of common stock based upon future earnings of Silna and also based upon the future market price of General Mills' common stock. The company has an option to acquire the remaining 10% ownership of Silna by issuing additional shares of common stock. The number of additional shares will be determined by the future earnings of Silna and the future market price of General Mills' common stock.

Sales, costs and earnings of businesses accounted for as purchases are included in the results of operations from the dates of acquisition.

Results of the pooled and purchased companies included in General Mills, Inc., consolidated results of operations are:

	1969-70	1970-71	
	Poolings Only	Poolings and Purchases	Per cent of Consolidated Results
Sales	$11,899,000	$32,480,000	2.9%
Net earnings	$ 1,013,000	$ 1,418,000	3.2%
Earnings per share	$ .004	$ .016	0.8%

2. INVENTORIES

	May 30, 1971	May 31, 1970
Package foods, toys and games, chemical products, etc., at lower of cost or market	$125,603,000	$104,982,000
Grain for processing and flour at market, after appropriate adjustments for open cash trades, unfilled orders, etc.	14,225,000	12,524,000
Containers, supplies, etc. at cost	11,480,000	9,844,000
	151,308,000	127,350,000
Advances on grain and other commodities	2,435,000	2,272,000
	$153,743,000	$129,622,000

3. LAND, BUILDINGS AND EQUIPMENT

Buildings	$159,638,000	$138,066,000
Equipment	269,357,000	240,397,000
Construction in progress	31,313,000	33,112,000
Accumulated depreciation	(164,195,000)	(148,963,000)
Depreciated cost of buildings and equipment	296,113,000	262,612,000
Land	19,015,000	19,136,000
	315,128,000	281,748,000
Provision for losses on disposition of facilities	(9,129,000)	(11,063,000)
Net value	$305,999,000	$270,685,000

Land, buildings and equipment are stated substantially at cost. Depreciation, provided for the most part by the straight-line method, amounted to $24,759,000 in 1971 and $22,732,000 in 1970.

4. INTANGIBLE ASSETS

"Excess of cost over net assets of consolidated subsidiaries" represents the difference between purchase prices and the values ascribed to the assets of businesses acquired and accounted for under the purchase method of accounting. At its meeting on June 28, 1971, the Board of Directors confirmed that the amounts comprising the excess of cost over net assets of consolidated subsidiaries have continuing value. Accordingly, these intangible assets have not been amortized or otherwise reduced in value. Amortization of other intangibles which have limited lives amounted to $2,700,000 in 1971 and $3,158,000 in 1970.

5. LONG-TERM DEBT

	May 30, 1971	May 31, 1970
Three 20-year 3½% promissory notes of $5,000,000 each, due August 1, 1972, May 1, 1974, and May 1, 1975	$ 15,000,000	$ 15,000,000
Three 25-year 4¼% promissory notes of $10,000,000 each, due May 1, 1982, May 1, 1983, and May 1, 1984	30,000,000	30,000,000
4⅝% sinking fund debentures, due August 1, 1990	30,700,000	30,700,000
8⅞% sinking fund debentures, due October 15, 1995	100,000,000	—
Tom's Foods Ltd., 6¼% Guaranteed Debenture Stock, due March 31, 1988	6,113,000	6,302,000
General Mills Finance N.V., 7% Guaranteed Eurodollar Debentures, due November 1, 1980	17,515,000	18,495,000
General Mills Finance N.V., 8% Guaranteed Eurodollar Debentures, due March 1, 1986	20,000,000	—
General Mills Finance N.V., 7½% foreign currency term loan, due July 20, 1972	9,784,000	9,287,000
Other Eurodollar and foreign currency term loans, 5¾% to 6⅛%, due through 1973	7,800,000	29,000,000
Promissory notes due under revolving credit agreement	—	86,900,000
Miscellaneous debt	20,086,000	13,117,000
	256,998,000	238,801,000
Less current portion of above included under current liabilities	4,565,000	1,482,000
	$252,433,000	$237,319,000

Sinking fund and principal payments on long-term debt are $4,565,000, $24,903,000, $11,486,000, $8,689,000 and $3,639,000, in fiscal years ending in 1972, 1973, 1974, 1975 and 1976, respectively.

The terms of the promissory note agreements place restrictions on the payment of dividends and capital stock purchases and redemptions. At May 30, 1971, $110,527,000 of earnings employed in the business was free of such restrictions.

6. TAXES ON INCOME

A provision of $1,504,000 ($2,205,000 in 1970) has been charged to the current year's operations for deferred Federal income taxes. The investment credit for 1971, $255,000 ($509,000 in 1970), was credited to the provision for income tax expense for the year.

7. STOCK OPTIONS

In September, 1970, the shareholders of General Mills, Inc., approved a new Stock Option Plan under which options for the purchase of 600,000 shares, in the aggregate, of the company's common stock may be granted to August 31, 1975, to officers and key employees. Options are also outstanding under stock option plans which have expired and under which no further options may

be granted. The options, under the 1970 plan, are to be granted subject to approval of a committee of the Board of Directors and at a price of not less than 100% of fair market value on the date an option is granted. All plans provide for termination of options at either five or 10 years after date of grant with certain exceptions due to death, disability or retirement. Information on stock option transactions during the year is shown in the table to the right.

	Shares	Option Price per share
Granted	162,500	$31.63-$33.50
Became exercisable	115,068	16.67- 40.75
Exercised	27,120	14.66- 31.00
Expired	17,867	16.67- 38.75
Outstanding at end of year to 300 officers and employees	623,571	15.25- 40.75

8. STOCKHOLDERS' EQUITIES

The $1.75 cumulative convertible preference stock outstanding is convertible into common stock at the option of the holder at a rate of 1.7 shares of common stock for each share of preference stock and is subject to anti-dilution provisions. During the year, 61,071 shares of preference stock ($193,000) were converted into 103,815 shares of common stock. This preference stock is callable at the option of the company after August 26, 1971, at a price of $65 per share, declining at the rate of $1.00 per share each August 26 until 1976, when it becomes callable at $60 per share. In the event of involuntary liquidation, the holder of these preference shares shall receive $60 per share, plus accrued dividends. Holders of shares of $1.75 preference stock are entitled to .85 of a vote per share, and holders of common stock are entitled to one vote per share on all matters upon which stockholders generally have the right to vote.

During the year, 13,599 shares of treasury stock ($332,000) were transferred to officers and employees under the profit sharing plan and for contest awards.

Changes in the value and number of issued shares of $1.50 par value common stock are shown in the table below.

Common Stock

	Shares	Amount
Balance, May 31, 1970	19,312,720	$107,927,000
Shares issued for the acquisition of Eddie Bauer, Inc., and The Silna Corporation	508,934	2,871,000
Balance, May 31, 1970, as restated	19,821,654	110,798,000
Par value of common stock issued and contingently issuable in excess of common stock value of Silna, a pooled company	—	79,000
Proceeds from sale of stock under option plans	27,120	622,000
Conversion of $1.75 cumulative convertible preference stock	103,815	193,000
Stated value of 4,032 additional shares of treasury stock (cost, $116,000) issued for the acquisition of Knothe Brothers Company, Inc.	—	(23,000)
Proceeds from exercise of Eddie Bauer stock options (prior to acquisition date)	—	5,000
Balance, May 30, 1971	19,952,589	$111,674,000

Stockholders' Equities

	May 30, 1971		May 31, 1970	
	Shares	Amount	Shares	Amount
No par value cumulative preference stock:				
Authorized	5,000,000		5,000,000	
Issued—$1.75 voting cumulative convertible	1,425,503	$ 4,507,000	1,486,574	$ 4,701,000
Common stock—$1.50 par value:				
Authorized	30,000,000		30,000,000	
Reserved for issuance under stock option plans:				
Options outstanding	623,571		506,058	
Options available for grant	438,250		—	
Reserved for conversion of convertible preference stock	2,423,355		2,527,176	
Reserved for former stockholders of certain acquired companies	279,655		851,458	
Issued at stated value	19,952,589	111,674,000	19,821,654	110,798,000
Common stock—class B, $3 par value, no-dividend:				
Authorized	1,000,000		1,000,000	
Issued	—		—	
Earnings employed in the business		226,216,000		202,334,000
Common stock $1.50 par value, in Treasury, at cost (deduct)	(342,683)	(9,720,000)	(360,314)	(10,168,000)
		$332,677,000		$307,665,000

9. OTHER MATTERS

The company and many of its subsidiaries have pension plans covering a large number of their employees, including certain employees in foreign countries. The total pension expense for the year was $4,004,000 ($1,992,000 in 1970) which includes interest and in the case of certain plans includes amortization of prior service costs over periods ranging up to 40 years. The companies' policy is to fund pension costs accrued. Based on actuarial determinations, the plans are substantially fully funded with respect to all vested benefits.

Authorizations at May 30, 1971, for unexpended appropriations for property additions and improvements and for maximum potential cash payments under contingent purchase price contracts for acquired businesses amounted to approximately $49,200,000. The company and its subsidiaries have a variety of long-term lease commitments for which annual rentals total approximately $6,200,000.

For comparative purposes, and without affecting net income, 1970 profit sharing distribution has been restated for the inclusion of subsidiary companies' profit sharing plan distributions of $313,000. In prior years, subsidiary companies' profit sharing expense has been included in "Selling, general and administrative expenses."

There was no litigation pending at May 30, 1971, not provided for in the accounts, which, in the opinion of management, would have a significant effect on the financial position of the company and its subsidiaries.

On February 16, 1971, the Federal Trade Commission issued a complaint charging that the acquisition, by General Mills, Inc., of The Gorton Corporation was a violation of the Clayton Act and the Commission is seeking divestiture of the business and assets of Gorton. It is the position of General Mills, Inc., that the acquisition is not in violation of any law, and the matter is currently proceeding to litigation.

SALES*

BY MAJOR PRODUCT GROUP *(in millions)*

	Fiscal Years									
	1971		1970		1969		1968		1967	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Cereals and Snacks	$ 338.2	30.2	$ 333.1	32.2	$309.1	33.3	$238.7	30.5	$222.2	30.2
Mixes, Family Flour, Seafoods, Other	338.1	30.2	314.3	30.4	290.5	31.2	280.0	35.8	276.3	37.6
FOODS AT HOME	676.3	60.4	647.4	62.6	599.6	64.5	518.7	66.3	498.5	67.8
Commercial Foods and Ingredients	154.0	13.7	154.7	15.0	147.7	15.9	142.3	18.2	145.9	19.8
Restaurant Activities	13.5	1.2	5.2	.5	.8	.1	.2	.0	.0	.0
FOODS AWAY FROM HOME	167.5	14.9	159.9	15.5	148.5	16.0	142.5	18.2	145.9	19.8
TOTAL FOODS	**843.8**	**75.3**	**807.3**	**78.1**	**748.1**	**80.5**	**661.2**	**84.5**	**644.4**	**87.6**
Crafts, Games and Toys	126.6	11.3	104.1	10.1	91.7	9.9	51.5	6.6	30.7	4.2
Fashions and Direct Marketing	111.2	9.9	85.9	8.3	50.7	5.4	33.4	4.2	30.3	4.1
CONSUMER NON-FOODS	**237.8**	**21.2**	**190.0**	**18.4**	**142.4**	**15.3**	**84.9**	**10.8**	**61.0**	**8.3**
SPECIALTY CHEMICALS	**38.5**	**3.5**	**36.3**	**3.5**	**38.6**	**4.2**	**36.5**	**4.7**	**30.3**	**4.1**
TOTAL SALES	**$1,120.1**	**100.0**	**$1,033.6**	**100.0**	**$929.1**	**100.0**	**$782.6**	**100.0**	**$735.7**	**100.0**

EARNINGS*

BY MAJOR PRODUCT GROUP *(in millions)*

	Fiscal Years									
	1971		1970		1969		1968		1967	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Cereals and Snacks	$ 56.5	46.3	$ 53.2	45.2	$ 43.3	41.5	$ 38.4	43.5	$ 35.8	45.9
Mixes, Family Flour, Seafoods, Other	40.1	32.9	35.2	29.9	34.6	33.2	32.6	36.9	27.3	35.0
FOODS AT HOME	96.6	79.2	88.4	75.1	77.9	74.7	71.0	80.4	63.1	80.9
Commercial Foods and Ingredients	5.5	4.5	6.8	5.8	8.5	8.2	7.5	8.5	7.5	9.6
Restaurant Activities	(1.0)	(.8)	(2.0)	(1.7)	(.3)	(.3)	.0	.0	.0	.0
FOODS AWAY FROM HOME	4.5	3.7	4.8	4.1	8.2	7.9	7.5	8.5	7.5	9.6
TOTAL FOODS	**101.1**	**82.9**	**93.2**	**79.2**	**86.1**	**82.6**	**78.5**	**88.9**	**70.6**	**90.5**
Crafts, Games and Toys	1.4	1.1	7.5	6.4	10.0	9.6	5.3	6.0	3.4	4.4
Fashions and Direct Marketing	16.3	13.4	13.9	11.8	5.9	5.7	3.2	3.6	2.2	2.8
CONSUMER NON-FOODS	**17.7**	**14.5**	**21.4**	**18.2**	**15.9**	**15.3**	**8.5**	**9.6**	**5.6**	**7.2**
SPECIALTY CHEMICALS	**3.1**	**2.6**	**3.1**	**2.6**	**2.2**	**2.1**	**1.3**	**1.5**	**1.8**	**2.3**
TOTAL OPERATING PROFITS	**121.9**	**100.0**	**117.7**	**100.0**	**104.2**	**100.0**	**88.3**	**100.0**	**78.0**	**100.0**
Unallocated corporate expenses, exclusive of items shown below	(10.8)		(10.6)		(8.3)		(8.2)		(6.4)	
Interest expense	(20.0)		(17.6)		(12.8)		(8.0)		(5.9)	
Profit sharing distribution	(2.4)		(2.5)		(2.6)		(2.3)		(2.5)	
TOTAL EARNINGS BEFORE TAXES	**$ 88.7**		**$ 87.0**		**$ 80.5**		**$ 69.8**		**$ 63.2**	

*Restated to include The Silna Corporation and Eddie Bauer, Inc., both of which are accounted for as poolings of interests.

Operating profits reported above indicate the relative contributions of General Mills' diversified operations to total earnings. They are not necessarily comparable to similar data from other companies since accounting procedures vary.

Variations between the sales and operating profits shown in these tables for any given year and the figures for that year in preceding annual reports are due principally to restatements and minor adjustments in the classification of certain products or expenses.

TEN YEARS IN REVIEW

GENERAL MILLS, INC., AND ITS CONSOLIDATED SUBSIDIARIES

Before Restatements for Poolings of Interests

	52 Weeks Ended May 30 1971	53 Weeks Ended May 31 1970	May 25 1969
Sales	$1,120.1	1,021.7	885.2
Earnings before extraordinary items	$ 43.9	40.6	36.2
Net earnings	$ 43.9	27.1	37.5
Dividends—common stock	$ 17.3	16.4	13.9
—preferred and preference stock	$ 2.5	2.6	2.7
Earnings before extraordinary items in excess of dividends	$ 24.1	21.6	19.6
Per common share and common share equivalent (in dollars)*			
Earnings before extraordinary items	$ 1.98	1.88	1.77
Net earnings	$ 1.98	1.25	1.83
Dividends per share	$ .90	.88	.80
Common shares outstanding at year end*	19,953	18,952	17,772
Preferred shares outstanding at year end	—	—	—
Preference shares oustanding at year end	1,426	1,487	1,560
Number of stockholders	32,600	32,900	32,900
Market price range (in dollars)			
—common stock*	36¼-24⅝	39¼-23⅝	43⅝-31⅝
—preference stock	61½-42	65½-41	71½-54½

*Adjusted for two-for-one split in August, 1967. Per share data for 1965 through 1971 is based on the average common and common share equivalents outstanding during the year.

FIVE YEARS IN REVIEW

dollar amounts, except per share, in millions

Restated for Poolings of Interests†

	Fiscal Years 1971	1970	1969	1968	1967
Sales	$1,120.1	1,033.6	929.1	782.6	735.7
Income taxes	$ 44.3	45.2	41.4	35.0	31.0
Earnings before extraordinary items	$ 43.9	41.6	38.4	34.1	31.9
Extraordinary items (net of income taxes)	$ —	(13.5)	1.3	—	—
Net earnings	$ 43.9	28.1	39.7	34.1	31.9
Earnings before extraordinary items (per sales dollar)	3.9¢	4.0¢	4.1¢	4.3¢	4.3¢
Working capital provided from operations	$ 76.2	71.0	62.4	54.7	49.8
Per common share and common share equivalent (in dollars)*					
Earnings before extraordinary items	$ 1.98	1.88	1.76	1.65	1.55
Net earnings	$ 1.98	1.27	1.82	1.65	1.55
Taxes (Federal, State, Local)	$ 2.93	2.90**	2.62	2.24	2.00
Working capital provided from operations	$ 3.44	3.21	2.86	2.64	2.43

†Includes the following pooled companies: 1971 Eddie Bauer, Inc., and The Silna Corporation; 1970 David Crystal, Inc., Knothe Brothers Co., Inc., and Red Lobster Inns of America, Inc.; 1969 The Gorton Corporation, which was accounted for as a part purchase, part pooling of interests, and Jesse Jones Sausage Company; 1968 Kenner Products Company; 1967 Tom Huston Peanut Company.

*Adjusted for two-for-one split in August, 1967. Per share data is based on the average common and common share equivalents outstanding during each year.

**Excluding income tax credits related to extraordinary items of $.25 per share.

dollar amounts, except per share, in millions and shares outstanding in thousands

52 Weeks Ended				Years Ended May 31		
May 26 1968	May 28 1967	May 29 1966	May 30 1965	1964	1963	1962
668.9	602.5	524.7	559.0	541.3	523.9	546.4
31.3	28.4	23.3	20.4	17.2	14.9	10.2
31.3	28.4	21.9	7.6	13.0	14.9	8.6
12.3	11.4	10.6	9.9	9.2	8.7	8.7
2.8	2.4	—	.3	1.1	1.1	1.1
16.2	14.6	12.7	10.2	6.9	5.1	.4
1.66	1.57	1.52	1.31	1.05	.95	.63
1.66	1.57	1.43	.48	.78	.95	.52
.78¾	.75	.70	.65	.60	.60	.60
16,024	15,268	15,190	15,170	15,250	14,502	14,448
—	—	—	—	221	221	221
1,573	1,623	—	—	—	—	—
30,000	29,300	27,100	28,700	32,700	30,000	28,400
42⅝-30	36¾-27	32-26	31¾-19⅛	21⅜-16¼	19-11⅛	19⅜-10¾
¼-55⅝	61½-48	—	—	—	—	—

OTHER STATISTICS

Restated for Poolings of Interests

dollars in millions

	Fiscal Years				
	1971	1970	1969	1968	1967
Gross expenditures for plant and equipment	$ 60.4	60.4	37.3	25.7	31.6
Research expenditures	$ 14.6	13.8	13.3	10.6	10.4
Advertising media expenditures	$ 54.0	57.0	58.5	52.1	53.7
Depreciation and amortization	$ 27.5	25.9	22.9	18.2	14.1
Wages, salaries and employee benefits	$ 224.0	201.2	169.1	131.9	121.9
Number of employees	32,556	28,908	27,642	24,154	17,282

BOARD OF DIRECTORS

James P. McFarland, Minneapolis, Chairman, Chief Executive Officer, General Mills, Inc.
H. Brewster Atwater, Jr.,* Minneapolis, Executive Vice President, General Mills, Inc.
Charles H. Bell, Minneapolis, Chairman of Finance Committee, General Mills, Inc.
Ford Bell, Minneapolis
Thomas M. Crosby, Minneapolis, President, Northwest Growth Fund, Inc.
Kenneth N. Dayton, Minneapolis, President, Dayton Hudson Corporation
J. Wilbur Feighner, Columbus, Ga., Vice President, General Mills, Inc.
Philip B. Harris, Minneapolis, President, Northwestern National Bank
Stephen F. Keating, Minneapolis, President, Honeywell Inc.
E. Robert Kinney, Minneapolis, Executive Vice President, General Mills, Inc.
R. Stanley Laing, Dayton, Ohio, President, The National Cash Register Company
William H. Lang, St. Paul, President, Foley Brothers, Inc.
David M. Lilly, Minneapolis, Chairman of Board, Toro Manufacturing Corporation
Louis W. Menk, St. Paul, Chairman of Board, Burlington Northern Inc.
Charles F. Phillips, Auburn, Me., President Emeritus, Bates College
Edwin W. Rawlings, Minneapolis
Burton W. Roberts, Minneapolis, Executive Vice President, General Mills, Inc.
Frederick A. O. Schwarz, New York, N.Y., of Davis Polk & Wardwell
James A. Summer, Minneapolis, President, Chief Operating Officer, General Mills, Inc.
Donald F. Swanson, Minneapolis, Executive Vice President, General Mills, Inc.

*Elected June 28, 1971

EXECUTIVE COMMITTEE

James P. McFarland, Chairman
Charles H. Bell
Ford Bell
Kenneth N. Dayton
Stephen F. Keating
William H. Lang
Edwin W. Rawlings
Frederick A. O. Schwarz
James A. Summer

FINANCE COMMITTEE

Charles H. Bell, Chairman
Philip B. Harris, Vice Chairman
Ford Bell
E. Robert Kinney
R. Stanley Laing
James P. McFarland
Edwin W. Rawlings
Frederick A. O. Schwarz

AUDIT COMMITTEE

David M. Lilly, Chairman
Thomas M. Crosby
Philip B. Harris
Louis W. Menk
Charles F. Phillips

CORPORATE OFFICERS

James P. McFarland, Chairman of Board, Chief Executive Officer

James A. Summer, President, Chief Operating Officer

E. Robert Kinney, Executive Vice President, Chief Financial Officer

H. Brewster Atwater, Jr., Executive Vice President, Consumer Foods Group, The Gorton Corporation, Advertising and Marketing Services, Trade Policy and Customer Relations

Burton W. Roberts, Executive Vice President, Consumer Specialties Division, Food Service and Protein Products Division, Health Maintenance Systems, Tom's Foods Ltd., The Donruss Co.

Donald F. Swanson, Executive Vice President, Craft, Game & Toy Division, Direct Marketing Division, Fashion Division, International Operations

Sewall D. Andrews, Jr., Vice President, International Operations

J. Wilbur Feighner, Vice President, Chairman, Tom's Foods Ltd.

John F. Finn, Vice President, Secretary and General Counsel

James S. Fish, Vice President, Advertising and Marketing Services

Frank C. Hildebrand, Vice President, Executive Director of the General Mills Foundation, Chairman of the Information Systems Planning Board

John V. Luck, Vice President and Technical Director

Craig A. Nalen, Vice President and General Manager, Craft, Game & Toy Division

Paul L. Parker, Senior Vice President, Public and Employee Relations

Henry H. Porter, Jr., Vice President-Finance and Treasurer

Edward K. Smith, Vice President and Controller

Eugene E. Woolley, Vice President, Chemical, O-CEL-O, Betty Crocker Tree House, Red Lobster Inns, Corporate Real Estate, Corporate Transportation

TRANSFER AGENCIES

COMMON STOCK:

First National City Bank, 111 Wall Street, New York, N.Y. 10015
Office of the Company, 9200 Wayzata Boulevard, Minneapolis, Minn. 55440

$1.75 CUMULATIVE CONVERTIBLE PREFERENCE STOCK:

First National City Bank, 111 Wall Street, New York, N.Y. 10015
The First National Bank of Columbus, 101 13th Street, Columbus, Ga. 31902

REGISTRARS

COMMON STOCK:

The Chase Manhattan Bank, N.A., 1 Chase Manhattan Plaza, New York, N.Y. 10015
Northwestern National Bank of Minneapolis, Seventh and Marquette, Minneapolis, Minn. 55480

$1.75 CUMULATIVE CONVERTIBLE PREFERENCE STOCK:

The Chase Manhattan Bank, N.A., 1 Chase Manhattan Plaza, New York, N.Y. 10015
Columbus Bank and Trust Company, 1148 Broadway, Columbus, Ga. 31902

OPERATING EXECUTIVES

With Some of the Products for Which They are Responsible

Betty Crocker Division: Walter R. Barry, Jr., *Vice President and General Manager*

BETTY CROCKER Cake, Frosting, Topping, Cookie, Brownie and Pudding Cake Mixes; BETTY CROCKER Ready-To-Spread Frostings; BETTY CROCKER Ready-To-Serve Puddings; BETTY CROCKER OVERSAUCES Sauces; BETTY CROCKER Spaghetti Sauces; BETTY CROCKER Pie Shops and Ice Cream Parlors

Pioneer Products, Inc.: Ray E. Brunswig, *President*

PIONEER Candy Cake Decorations and CREST Candles

Big G Division: F. Caleb Blodgett, *Vice President and General Manager*

WHEATIES, CHEERIOS, TOTAL, CORN TOTAL, TRIX, BUC*WHEATS, KIX, JETS, FROSTY O's, COCOA PUFFS, TWINKLES, COUNTRY CORN FLAKES, CLACKERS, LUCKY CHARMS, KABOOM, COUNT CHOCULA, FRANKEN*BERRY, FUN PACK

Golden Valley Division: Arthur R. Schulze, *Vice President and General Manager*

CHIPOS, BUGLES, WHISTLES, WHEAT CHIPS, RYE CHIPS, HOTCHAS, PIZZA SPINS, POP-R-CORNS, POTATO CRISP, CRISP-I-TATERS, ONYUMS, POTATO BUDS Instant Mashed Potato Puffs; BETTY CROCKER Scalloped, Au Gratin and Hash Brown Potatoes; BETTY CROCKER Casseroles and HAMBURGER HELPER; BISQUICK; BETTY CROCKER Pie Crust and Muffin Mixes; Pie Crust Sticks; SOFTASILK Cake Flour; SAFF-O-LIFE Safflower Oil

Sperry Division: Darryl J. Woodland, *Vice President and General Manager;* James J. Feeney, *Vice President* and *Assistant General Manager;* Gordon E. Whiteman, *Vice President and Director* of *Major Commodity Operations*

GOLD MEDAL "KITCHEN-TESTED" Flour, GOLD MEDAL WONDRA Flour, GOLD MEDAL Self-Rising Flour, PURASNOW Flour, SPERRY DRIFTED SNOW Flour, RED BAND Flour, LA PINA Flour, RED STAR Flour, WHITE DEER Flour; Bakery Flour, Bakery Mixes; SOFTASILK Cake Flour; Durum Products; SPERRY Pancake Mix; WHEAT HEARTS; Oat Products

The Gorton Corporation: Ross N. Clouston, *President, Vice President,* General Mills, Inc.

GORTON'S of GLOUCESTER Seafoods for consumers, including Fish and Chips, Breaded Shrimp, Fish Sticks, Fish Puffs, Sole in Lemon Butter, Shrimp Scampi, Flounder Almondine; Ready-To-Cook Fillets of Haddock, Sole, Flounder and Ocean Perch; BLUE WATER and GORTON'S Seafoods for the fast food industry, including Breaded Portions, Breaded Shrimp, Cooked Portions for school lunch programs, Ready-To-Cook Fillets, Blanched Batter-Dipped Portions for fish and chips

Tom's Foods Ltd.: J. Wilbur Feighner, *Chairman, Vice President,* General Mills, Inc.

TOM'S Toasted Peanuts, Delicious Candies, Potato Chips, Corn Chips, Peanut Butter and Sweet Sandwiches

The Donruss Co.: Donald B. Wiener, *Chief Executive Officer*

SUPER BUBBLE, BUB'S DADDY, IT'S GREAT, T-BIRD Bubble Gum Cigars, DART, SKYROCKET, Novelty (Card Series) Bubble Gum Products

Consumer Specialties Division: Michael L. Tracy, *Vice President and General Manager, President,* GoodMark, Inc.

SLIM JIM Meat Snacks, SLIM JIM Beef Jerky; PENROSE Pickled Meat Products; JESSE JONES Sausage, Wieners and Luncheon Meats

Food Service and Protein Products Division: Carson J. Morris, *Vice President and General Manager*

GENERAL MILLS Ready-To-Serve Puddings, Pie Fillings, Frozen Convenience Doughs and Entrees; BETTY CROCKER Vend Products; BAC*OS, SAUS*OS, PEPR*OS and other dry and frozen BONTRAE Products; Prepared Baking Mixes; Potato Products; Ready-To-Eat and Hot Cereals; DIET-CARE Products

Red Lobster Inns of America, Inc.: William B. Darden, *President*

Specialty Seafood Restaurants presently concentrated in the southeastern United States

International Division: Sewall D. Andrews, Jr., *Vice President,* International Operations; M. M. Benidt, *Vice President and Director* of Latin American and Export Operations; M. J. Ferreira, *Vice President, Chairman,* General Mills (U.K.-Europe); George C. Gaines, *Vice President, Managing Director,* General Mills (U.K.-Europe); Cyril L. Ducharme, *Managing Director,* Far Eastern Operations; John D. Herrick, *General Manager,* Canadian Operations

Snack Foods in England and Continental Europe; Consumer Foods in Mexico, Canada, Guatemala, Venezuela and Japan; Mineral Water and Natural Fruit Flavored Drinks in Italy; Flour in Mexico, Guatemala, Nicaragua, Panama and Venezuela; Expanded Soy Protein Products in Sweden.

Craft, Game & Toy Division: Craig A. Nalen, *Vice President and General Manager;* Fletcher C. Waller, Jr., *Administrator,* General Mills Fun Group, Inc.; John P. Eckert, *Vice President and Director of Operations,* European Common Market

Craft, Game & Toy — U.S. Operations:

Kenner Products: Robert L. Steiner, *President;* Richard M. Kovacevich, *General Manager*

SSP Racers, EASY-BAKE Oven, SPIROGRAPH, GIVE-A-SHOW and other sight and sound,

INTERNATIONAL OPERATIONS OF GENERAL MILLS, INC.

FOODS AND FLOUR

***Smiths Food Group, S. A.**	Belgium	A. van de Walle, *General Manager*
General Mills Cereals, Ltd.	Canada	J. D. Herrick, *President and General Manager*
Toronto Macaroni & Imported Foods, Limited	Canada	A. M. Aymong, *President*
The Smiths Food Group and divisions	England	M. J. Ferreira, *Deputy Chairman and Chief Executive Officer*
***Biscuiterie Nantaise, S. A. and subsidiaries**	France	Lionel Cosse, *Chairman and Managing Director*
***Industria Harinera Guatemalteca, S. A. and Industria Del Maiz, S. A.**	Guatemala	Francisco Gamez, *General Manager*
***Smiths Food Group, N. V.**	Holland	C. B. M. deJong, *General Manager*
***Smiths Food Group (Ireland), Ltd.**	Ireland	C. Gordon Lambert, *Chairman*
***Fonti Levissima S.p.A.**	Italy	Erminio Casella, *President* Alberto Mascetti, *Vice President*
***Morinaga General Mills, Limited**	Japan	Hideo Ito, *Representative Director and President* Cyril L. Ducharme, *Representative Director and Executive Vice President*
***Productos de Trigo, S. A.**	Mexico	Gustavo Martinez, G., *General Manager*
***Industrias Gem-Ina, S. A.**	Nicaragua	Alfredo Montealegre, *General Manager*
***General Mills de Panama, S. A.**	Panama	L. C. Mertz, *General Manager*
***Svenska Dipro A. B.**	Sweden	Sixten Holmquist, *Managing Director*
General Mills de Venezuela, S. A.	Venezuela	Paul Kaufman, *Vice President and General Manager*
***Grandes Molinos de Venezuela, S. A.**	Venezuela	Moises Benjamin, *General Manager*

AFFILIATES OF THE GORTON CORPORATION

***Crevettes Du Cameroon**	Cameroon	Jacque De Vries, *Managing Director*
Agincourt Foods Limited	Canada	Russell G. Langley, *General Manager*

*Partially owned

Blue Waters Seafoods, Ltd.	Canada	Bruce O'N Hyland, *General Manager*
Canapro, Ltd.	Canada	Laurie Delaney, *General Manager*
Gorton-Pew Limited (Caraquet Division)	Canada	Jean Carbonneau, *Manager*
(Magdalen Island Division)		Laurie Delaney, *Manager*
Gloucester Peruvian, S. A. (*Feripat, S. A.)	Peru	Robin Rackowe, *General Manager*

CRAFTS, GAMES AND TOYS

***Toltoys Proprietary, Limited**	Australia	Alex Tolmer, *President*
***Binder Tool and Mold, Limited**	Canada	Fred Binder, *President*
***Kenner Products (Canada), Limited**	Canada	Arnold Irwin, *President*
***Parker Brothers Games, Limited (Impressions, Limited)**	Canada	A. Tom Vernon, *President*
Denys Fisher Group, Limited	England	Robert Fieldhouse, *Managing Director*
Palitoy	England	Robert Simpson, *President*
***Miro Company, S. A. (*Capiepa, S. A., France Cartes, S. A., Parker Brothers France, S.A.R.L.)**	France	Michel Habourdin, *President*
***Georg Brohm Spielwarenfabrik GmbH**	Germany	Georg Brohm, *President* John Eckert, *General Manager*
***CIA. Industrial de Novedades Plasticas y Metalicas, S. A.**	Mexico	Jose Ciklik, *President*

CHEMICALS

***Indusquima, S. A.**	Brazil	Juan Sabaté Perez, *General Manager*
Tragasol Products Ltd.	England	A. V. Turner, *Managing Director*
***Dai-Ichi General, Ltd.**	Japan	Tohru Ohtsuki, *Representative Director and President* C. F. Pozzani, *Representative Director and Executive Vice President*
General Mills de Mexico, S. A.	Mexico	Ricardo Madero, *General Manager*
***Habib General Limited**	Pakistan	Asghar Habib, *General Manager*

*Partially owned

homemaking and construction toys; RAINBOW CRAFTS PLAY-DOH Modeling Compounds and Toys; PLAY-STONE; PUZZLE-UPS Puzzles

Parker Brothers: Edward P. Parker, *President and General Manager*

PARKER BROTHERS Games and Puzzles, including MONOPOLY, MASTERPIECE, INSTANT INSANITY, OUIJA, SMESS, RISK, CLUE, SORRY, ROOK, PHONY BALONEY, NERF BALL, AUTOBRIDGE and many others

Model Products: John F. Deegan, *President and General Manager*

MPC Car Kits; Flying Rockets; LIONEL trains

Craft Master: Ted C. Betker, *President and General Manager*

Paint-by-Number Kits and other do-it-yourself hobby and craft items

Craft, Game & Toy — International Operations:

This division also has subsidiary operations in Australia, Canada, England, France, Germany and Mexico.

Fashion Division: F. William Graham, *Vice President and General Manager*

Alligator Company, Inc.: Raincoats and All-weather Coats for men and women

David Crystal, Inc.: Vincent dePaul Draddy, *President*

DAVID CRYSTAL, CHEMISE LACOSTE and CRYSTAL KNITS Fashions for women; HAYMAKER Sportswear for women; IZOD Sportswear for men; CRYSTAL SUNFLOWER Children's Wear; KNOTHE Pajamas and Belts for men

Monocraft, Inc.: Michael Chernow, *President*

MONET Fashion Jewelry, including necklaces, bracelets, pins, earrings and charms

Silna Corporation: Ozzie Silna, *President,* Doubleknit Fabrics

Direct Marketing Division: James P. McLane, *General Manager*

LeeWards: Lee C. Anderson, *President and General Manager*

Hobbycraft and Do-It-Yourself Kits ranging from embroidery and handbags to lamps and other home decorations

Eddie Bauer, Inc.: William F. Niemi, Jr., *President*

Outdoor Recreational Clothing, Equipment and Accessories

General Mills Chemicals, Inc.: Donald W. Carlson, *President, Vice President,* General Mills, Inc.

VERSAMID, VERSALON and MILVEX Polyamide Resins; VERSADYME Dimer Acids; GENEPOXY Epoxy Resins; LIX Ion Exchange Reagents and Systems; ALAMINE, ALIQUAT and DIAM Fatty Nitrogen Compounds; DERIPHAT Amphoteric Surfactants; GENEROL Sterols; Tocopherol Products; COVITOL and COVISEC Vitamin E Concentrates; PAYGEL and AYTEX Wheat Starches; PRO-VIM Vital Wheat Gluten; MERIT Wheat Germ Oil; SUPERCOL Edible Guar and Locust Gums; FLAVOR ISLANDS for ice cream; Vitamin Concentrates for dairies; RELEASAGEN for mold release agents

General Mills Chemicals, Inc., also has operations in Brazil, England, Japan, Mexico and Pakistan.

OTHER OPERATING OFFICERS OF GENERAL MILLS AND DOMESTIC SUBSIDIARIES

Mercedes A. Bates, *Vice President* and Director of Betty Crocker Kitchens
Fred Blumers, *Vice President* and General Manager, Package Foods Operations Division
Harry L. Davis, *President,* Gold Medal Insurance Co.
Thomas P. Nelson, *Vice President* and Controller, Consumer Foods Activities
J. Robert Roach, *Vice President* and Director of Research and Development, Consumer Foods Activities
Howard L. Ross, *Vice President* and General Manager, Grocery Products Sales Division
Gordon W. Ryan, *Vice President* and Director of Trade Policy and Customer Relations, Consumer Foods Group

STAFF OFFICERS

John M. Barker, *Vice President,* Director of Taxes
John T. Gerlach, *Vice President,* Director of Corporate Growth Department
J. William Haun, *Vice President* and Director of Engineering
William R. Humphrey, Jr., *Vice President* and Director of Community and Civic Affairs
Verne C. Johnson, *Vice President* and Director of Corporate Planning
Daniel G. McPherson, *Vice President* and Director of Quality Control, Nutritional Policy and Food Safety
William K. Smith, *Vice President,* Transportation
Robert K. Swanson, *Vice President,* Corporate Assignments in Food Service, Research and Health Maintenance Systems
Stanley V. Tabor, *Vice President,* Corporate Real Estate
Clifford L. Whitehill, *Vice President* and Assistant General Counsel
Harold A. Wittcoff, *Vice President* and Director of Corporate Research

General Mills

General Mills, Inc. • General Offices
9200 WAYZATA BLVD. • MINNEAPOLIS, MINN. 55440

Litho in U.S.A.

AUCES • CORN TOTAL • EDDIE BAUER • MASTERPIECE • SMITHS • SSP • LIONEL • RED B
OASTED PEANUTS • CAREERS • PENROSE • COVITOL • KIX • PRO-VIM • SILTEX • PALITO
IID • SOFTASILK • COUNTRY CORN FLAKES • PROBE • BREAKFAST SQUARES • BOLO FI
Y-DOH • PLAY-STONE • FUNNY PUMPER • ONYUMS • FUN FACTORY • PIONEER • SPE
R-CORNS • SORRY • CLACKERS • PLAYTENTIALS • QUAINT ART • EASY-CURL • AUTOBR
SE JONES • MILVEX • JETS • FINANCE • ROOK • PING PONG • RISK • BUB'S DADDY • MI
NFLOWER • PLAYNTS • TWINKLES • MILLE BORNES • BLUE WATER • O-CEL-O • POTATO B
APH • WHEAT HEARTS • DIP DOTS • LA PINA • MOSETTE • BRAVO • PURASNOW • TOLTO
AT • SUPERCOL • SPILL AND SPELL • ALLIGAT • DRIFTED SNOW • LEDY • TA
LIKERS • ABELLE • PURITY • WHITE DEER